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FINANCIAL TIMES

JAPAN The power of Zen multiplies Page 22

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World News

Iran seeks improved relations with Soviet Union

Iran is seeking improved relations with the Soviet Union, signalling that Tehran may pursue a more open policy towards the outside world after the death of Ayatollah Khomeini. Page 24

S Africa renews state of emergency

President P.W. Botha last night renewed South Africa's state of emergency for a further year. He said that the Government still faced a revolutionary onslaught by forces opposed to non-violent change. Page 24

Walesa meeting

Lech Walesa, Solidarity leader, met Communist officials for the first time since national elections in which the authorities were defeated. Page 24

Strike hits ports

UK ports were hit by unofficial strikes as dockers walked out in protest at a court order banning a national docks strike. Page 12

Rebels reject talks

Ethiopian rebels rejected the Government's offer of unconditional peace talks. Page 6

Argentine conflict

Carlos Menem, Argentine president-elect, faces serious inter-union conflict after nominating a trade union leader as Labour Minister. Page 4

Berlin protest over

A big demonstration in East Berlin to protest against an alleged fraud in last month's election was put down by security forces. Page 2

Italian raid

Italian police raided two distribution companies as part of an investigation into sales of counterfeit US construction machinery parts. Page 8

Spanish criticism

Spain's Government has been criticised for "indiscriminately" subsidising state enterprises. Page 3

US persuasion fails

US failed to persuade the PLO to reconsider its opposition to a plan for elections in the Israeli occupied territories. Page 6

Indonesian denial

President Suharto, Indonesia's 68-year-old leader, quashed growing public speculation that he may step down. Page 6

Nato arms talks

US Defence Secretary Dick Cheney said splits between Nato allies over combat aircraft cuts could delay an historic agreement to reduce the Warsaw Pact threat to Europe. Page 2

Swedish charges

Six Swedes were charged with trying to smuggle illegal eavesdropping equipment to use in a covert investigation into the murder of Olof Palme. Page 2

Syrian offer rejected

Israel has rejected a Syrian offer to exchange the body of an Israeli soldier missing in Lebanon for 21 Palestinian fighters held in Israeli jails. Page 2

Tutu at Harvard

Anglican Archbishop Desmond Tutu of South Africa was elected to the governing Board of Overseers at Harvard. Page 2

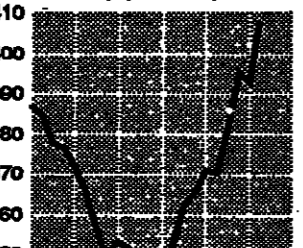
Business Summary

ABB brought into Soviet power deal with Ansaldo

Asea Brown Boveri (ABB), multinational engineering manufacturer, has been brought into a contract to modernise Soviet power stations, agreed between the Soviet Union and Ansaldo, the Italian state power equipment supplier. Page 24

LEAD continued to respond to bullish fundamentals. The Lead

3 mth metal (£ per tonne) 410



three months position on the London Metal Exchange closed at \$639 a tonne. Page 26

HANSON, UK industrial conglomerate, sold its 5.2 per cent stake in Midland Bank, UK clearing, for about \$215m. Page 25

BUNDESBANK of West Germany reaffirmed that German authorities had no exchange rate targets for the D-Mark against the dollar. Page 2

BRITISH Aerospace, UK aircraft manufacturer, has won a \$500m order for jetstream commuter airliners from AMR Eagle, US regional airline. Page 8

AMERICAN Medical International, Beverly Hills hospital group, received a new offer from investment firm of about \$20m. Page 28

LOMAS Financial Corp, Texas-based financial services company, is selling its retail banking and credit card subsidiary to Merrill Lynch Capital Partners for \$500m. Page 28

SHINWA Kanko Kaisha, Japanese property company, was declared insolvent, Japan's biggest post-war bankruptcy. Page 27

BRITAIN will seek clearance from European Commission for \$10m state aid to Short Brothers, the state-owned Belfast aircraft maker. Page 12

VEBA, West German energy and chemicals group, is taking a 22.5 per cent stake in Schenker, a transport company. Page 26

VICTNAM hopes to finalise an economic reform package with International Monetary Fund (IMF) Page 6

ALCATEL, French telecommunications group, is discussing plans to introduce Minitel tele-text in the UK. Page 10

UK RETAIL sales growth rebounded last month, despite high interest rates. Page 10

CHILE's central bank accelerated devaluation of the peso and raised interest rates in an effort to cool an overheating economy. Page 4

CONSOLIDATED Press Securities, Australian group owned by Kerry Packard, has won control of Australian National Industries (ANI). Page 27

CARLSBERG, the Danish brewer, increased first-half pre-tax profits by 11 per cent to \$87m. Page 26

ELDER'S Resources NZP (ERN), a quoted offshoot of Australian Elders IXL, is to take a 49 per cent stake in Oakbridge, an Australian coal producer. Page 27

QANTAS and Australian Airlines, Australian flag carriers, are at the centre of a heated Government debate over privatisation. Page 6

Soviet jet fighter crashes at Paris air show

By Paul Betts in Paris

THE Soviet Union suffered a blow yesterday in its efforts to boost exports of its military aircraft when a MiG 29 combat jet crashed during a demonstration flight on the opening day of the Paris Air Show. The MiG 29, an advanced aircraft which made its first appearance in the West at the Farnborough Air Show last September, crashed as it was flying at very low altitude. It exploded in flames in a field about 350 metres from a crowd. No spectators were hurt. The pilot, named as 37-year-old Anatoli Kvochnur, managed to eject and was last night in a military hospital. Soviet officials said they did not know the extent of his injuries. Television film showed that his parachute did not open fully. Engine failure was widely regarded to be the cause. The accident happened in the afternoon as the pilot was performing a difficult manoeuvre. It was the second time that a Soviet aircraft has crashed at the Paris Air Show. Sixteen years ago a Tupolev T144 - nicknamed Concordeki because of its similarity to the Anglo-French supersonic airliner - crashed during a demonstration flight. Witnesses said the aircraft took off about 3.40pm and made a steep ascent. It did some flips and turns as part of its performance with no indication of a problem. The aircraft then descended to about 700 metres in what appeared to be a landing approach. Suddenly two parts appeared to come away from the wings and the aircraft dropped to the ground. It exploded in a ball of flames and was engulfed in black smoke. The Soviet Union came to this year's air show at Le Bourget with an impressive delegation and range of aircraft, including several military models, as well as the Soviet space shuttle, Bourane. The delegation was clearly shocked and refused to answer questions. When the Tupolev crashed the Soviet Union immediately withdrew from the air show but many Western air industry officials expect the delegation to remain at this year's show. The Russian presence has been billed as one of the key attractions of the show. Paris show, Page 8



The MiG-29 fighter shortly before its crash yesterday

Triumphant Li urges Chinese to expose enemies of the Party

By Robert Thomson in Peking

CHINA'S hardline Premier Li Peng made a triumphant appearance on national television yesterday heralding the crackdown against "counter-revolutionaries" and urging all Chinese to expose opponents of the Communist Party. Soldiers and tanks continued to withdraw yesterday from Tiananmen Square in the heart of Peking. However, troops remained in strategic corners in a still tense, but more active, city. A convoy of military vehicles entered the city early today with bursts of gunfire to clear the streets. Protests against the violence - used to crush Peking's pro-democracy movement - disrupted cities throughout the country, and warnings were broadcast threatening severe punishment for the protesters. Buses were used to block Shanghai roads, and chaos continued in Xian, in the west, where streets were filled with demonstrators. The appearance by Li Peng, who wore a Mao-style suit and whose resignation was demanded by pro-democracy protesters, was his first in public for two weeks and followed widespread rumours that he had been shot in the thigh during an assassination attempt by one of his guards. Li, addressing a gathering of troops, said the bloody clearing

of Tiananmen Square had been a "brilliant win," and raised his arm in a victorious salute. Significantly, the premier was accompanied by the vice-president, Wang Zhen, 80, an influential member of the alliance of elderly officials which has recently taken control of the Communist Party and which will be planning the funeral purge of the party chief, Zhao Ziyang. If it has not already been purged. The relatively liberal Zhao is likely to face tough charges in the wake of the violence, for which he will be held responsible by the hardline leaders. A crackdown against activists has already begun, and diplomats fear that intellectuals, students and workers labelled as "counter-revolutionaries" will be executed. Shops in Peking began to reopen, though many remained boarded up and few buses were running. Newspapers have not appeared since the weekend. Fears of food shortages have prompted some panic buying of grain and the Peking Government has warned of possible fuel shortages. Reports of fighting between troops loyal to the conservatives and Zhao subsided. Soldiers had obviously been told to be less aggressive towards residents. On one corner, troops with AK-47s at the

ready smiled at passing cyclists, while military trucks carrying heavily armed troops had loudspeakers assuring the populace that "order" had been restored and that the army "protects the people." Television reports showed soldiers, armed only with brooms, clearing debris from the streets around Tiananmen Square, and a party announcement urged residents to turn in the "gangsters" responsible for organising the protests. Almost 30 minutes of prime viewing time was given to footage of gutted army trucks and interviews with residents praising the soldiers. While doubting the possibility of large-scale fighting between troops, diplomats said there appeared to have been minor clashes between troops as well as some desertions. Diplomats expect that Communist Party meetings in the next few days will confirm changes in leadership, changes that are likely to be broader than predicted before the military crackdown at the weekend. It is also expected that the spreading riots in the central Asian republic of Uzbekistan. A string of deputies also attacked the membership of the new commission. Mr Yevgeny Yevtushenko, the Russian poet, accused Mr Vladimir Kudryatsev, the leading lawyer nominated as chairman of being a "toady" who had failed to stand up for dissidents during the rule of Mr Leonid Brezhnev. Other Soviet news, Page 2

Gorbachev faces crisis as ethnic unrest spreads

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev was last night facing the first constitutional crisis under his new democratic system as ethnic unrest appeared to be spreading in the south of the country. Deputies from the Baltic republic of Lithuania, followed by dozens of deputies, stormed out of the Congress of People's Deputies, forcing the Soviet leader to suspend a vote to elect a controversial constitutional control commission. Later Mr Gorbachev was also forced to suspend live broadcasting of the session when the man he had nominated for the office of chief state prosecutor, Mr Alexander Sukharev, was subjected to furious criticism, amid renewed allegations of top-level corruption in the ruling party. Mr Gorbachev also faced another revolt when the Communist Party leader of Georgia broke party ranks to launch an angry attack on the top military commander, who ordered his troops to break up a nationalist demonstration, at the cost of 20 lives, in April. The latest upheavals in the country's newly elected super-parliament came as further deaths were reported from the spreading riots in the central Asian republic of Uzbekistan. A string of deputies also attacked the membership of the new commission. Mr Yevgeny Yevtushenko, the Russian poet, accused Mr Vladimir Kudryatsev, the leading lawyer nominated as chairman of being a "toady" who had failed to stand up for dissidents during the rule of Mr Leonid Brezhnev. Other Soviet news, Page 2

World Bank planning launch of global bond

By Stephen Fidler in London

THE WORLD Bank has announced plans to launch a \$1.5bn bond issue which, for the first time, will be tradable in the European, US and Japanese capital markets. The Bank has appointed a 14-strong management team of securities houses to bring the issue which will take place "in coming months". Deutsche Bank and Salomon Brothers will be co-lead managers of the first issue. The World Bank is the largest regular user of the international capital markets, and its planned "global" issue will send issuing techniques in the Eurobond and the US markets. Borrowers have treated the US and Eurobond markets as separate entities, issuing bonds with different terms and conditions in each market. After consulting 125 institutional investors and money managers in 16 countries over the last year, however, the Bank has decided the institutions' investment needs "are no longer served by the continuing segmentation for its offerings of US dollar bonds." A conventional explanation for such segmentation has been, the Bank says, that US nationals are discouraged from owning bearer bonds by US tax laws and Eurobond investors preferred the anonymity of bearer bonds and would not buy US-style registered bonds. The Bank, however, believes European institutions do not like registered securities only because they are difficult to trade. Mr Don Roth, World Bank Treasurer, said that the issue should allow the World Bank to reduce its borrowing costs over time. Brady and the banks, Page 22

EC to tackle greenhouse effect

By Tim Dickson in Luxembourg

THE 12 member states of the European Community yesterday committed themselves both to individual and collective action to combat the threat of global warming, or the greenhouse effect. EC environment ministers agreed on the need to develop new energy sources as an alternative to fossil fuels, to intensify reforestation, and to press ahead with the speedy elimination of the dangerous gases known as CFCs. The resolution, while of more political than practical significance, marked a new stage in the growing acceptance among leading industrial countries that the scientific evidence of global warming is

strong enough to have clear implications for public policy. Scientists have warned that the earth's average temperature could rise by more than 4 degrees centigrade, sending sea levels high enough to submerge several Third World countries. Carbon dioxide emitted through the burning of fossil fuels is believed to account for about half this accumulation, while CFCs - substances which have the separate ill effect of harming the ozone layer - and methane from livestock herds also contribute. The problem of carbon dioxide emissions has been exacerbated by the burning of rainforests, which both contributes

directly to greenhouse gas accumulation and destroys trees which would otherwise absorb carbon. French, West German and Dutch ministers have all spoken of the need to take global warming into account in planning energy policy, and called for an increase in aid to Third World countries to help them avoid contributing to the greenhouse effect. The ban on certain seal skin products was extended for an indefinite period. It was due to expire in October. Intensive efforts were being made to break the political deadlock which was holding up the long-anticipated deal on "cleaner cars."

Stora to sell match, razor units

By Robert Taylor in Stockholm and Christopher Parkes in London

STORA of Sweden, Europe's biggest pulp and paper producer, is to sell the match, lighter and razor-making subsidiaries it acquired with last year's SEK5.9bn (\$891m) purchase of Swedish Match. The company said yesterday that it had asked Morgan Stanley International, part of the US-based investment bank, to find suitable buyers for its consumer products operations, best known in European markets for Bryant & May

matches, Clipper disposable lighters, and Wilkinson Sword blades and razors. Mr Bo Berggren, Stora's chief executive, said the group had absorbed as much as 80 per cent of Swedish Match's business, but felt consumer products would make a better fit with another parent. "We can provide capital for the Swedish Match operations but we believe it is more sensible that they are acquired by a buyer already involved with

related products," he said. Swedish Match is the world's leading match maker, claiming 25 per cent of sales in the non-Communist world. However, the industry has been under pressure because of the fading popularity of smoking, and competition from disposable lighters. The lighter business has also suffered under intense price competition, while shaving equipment markets have been

MARKETS

Table with market data including W. Germany FAZ Aktien Index, DOLLAR, INTEREST RATES, and STOCK INDICES.

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Advertisement for Trelleborg AB, Boliden Kemi AB, and Kemira Oy, featuring the S.G. Warburg & Co. Ltd. logo and text.

EUROPEAN NEWS

Bundesbank confident of D-Mark strength

By Haig Simonian in Cologne

MR Karl Otto Pöhl, the President of the West German Bundesbank, yesterday reaffirmed that the German authorities had no exchange rate targets for the D-Mark against the dollar, despite the US currency's recent surge.

"The defence of a given parity for the D-Mark was, and is, not an aim in itself," he said.

Mr Pöhl also emphasised that certain dollar/D-Mark parities could not be defended by central banks against the wishes of the market - "or at least only at the expense of unacceptable sacrifices for domestic monetary policy."

However, Mr Pöhl restated Germany's anti-inflation commitment. He did not rule out new interest rate rises, arguing that the depressed value of the D-Mark against the dollar was more a reflection of the US currency's strength than German weakness.

Speaking at the three-yearly meeting of Germany's savings organisations in Cologne, Mr Pöhl said relatively high US interest rates had helped keep down domestic and world inflation. There was reason to believe that US prices would remain under control and not lead to the highly damaging price spiral which had triggered restrictive US monetary policies at the end of the 1970s.

Mr Pöhl was confident that Germany's strong economic fundamentals would gradually begin to bolster the D-Mark. However, with some 18 per cent of official reserves now in D-Marks, he recognised that the D-Mark's role as a de facto reserve and intervention currency "could one day lead to more taxing problems in monetary policy, along the lines of the difficulties experienced by other countries whose currencies had acted as reserve currencies in the past."

On the prospects of closer European economic and monetary integration following the report by the Delors Committee, Mr Pöhl said: "It is no longer a question of whether, but solely one of how and when economic and monetary union will take place."

EC social charter wins backing from centre-right

By David Buchan in Brussels

CENTRE-RIGHT ministers of labour from West Germany and the three Benelux countries yesterday issued a strong joint endorsement of the European Commission's proposed workers rights charter, confirming the near-total isolation of the UK Government, which opposes the plan.

The four Christian Democrat ministers said the charter "should open the way for adoption of concrete and binding minimum norms" in labour laws of the Twelve. Rules governing Sunday work, annual leave, part-time employment, minimum work ages, and cross-frontier employment were needed, they said. The socialist Spanish Government, as the present EC president, wants the issue on the Madrid summit agenda later this month.

The ministers called on the Commission to start immediate work on its social policy action programme without waiting for heads of government to adopt the framework charter. The Commission had said last month this legislative action programme would come only some time in 1990, assuming approval of the charter either at Madrid or at the Paris summit later this year.

E Berlin security forces halt election protest

By Leslie Collitt in Berlin

ONE of the largest demonstrations in years in East Berlin to protest against an alleged fraud in last month's election was forcefully ended by internal security forces on Wednesday evening.

Nearly 120 young East Germans were taken into custody after staging a sit-down strike in front of East Berlin's Sophie Church. The demonstrators carried signs and a mock ballot box with the inscription Here Lies Democracy.

Security officials hauled the young people into waiting buses while Western correspondents on the scene were pushed and kicked.

The statement puts pressure on Mr Norman Fowler, the UK employment secretary, when he and other labour ministers meet in Luxembourg next Monday.

It reinforces the ideological divide between British conservatives and northern continental Christian Democrats, whose parties have close ties with "Christian" trade unions and, in the case of Belgium and Luxembourg, currently share power with socialist parties.

West Germany and the Benelux countries fear their high pay and work standards may be undercut by southern competition in an unregulated, post-1992 labour market.

Unice, the European employers federation, yesterday issued a highly sceptical statement on the social charter. Unice has been asked by the Commission to comment on the charter plan later this month. But before it could do, said the federation yesterday, it wanted to know what the legal status of the charter would be, whether basic social rights would continue to be guaranteed at the national level, how the charter was in keeping with modern needs for labour flexibility and how it would help create jobs.

The thread that ties recent Soviet disasters

James Blitz suggests Gorbachev should turn to the West for help in the short term

THE GAS pipeline explosion which engulfed two trains in the Urals this week is the latest in a series of accidents in the Soviet Union. And there is a thread of incompetence and mismanagement running through them all.

First there was the disaster at the Chernobyl nuclear reactor in 1986, blamed on a design fault and human error; then last year, the Armenian earthquake struck, in which the high death toll was exacerbated by the poor construction of high rise blocks and the subsequent chaos of the rescue operation.

This week, Mr Gorbachev showed his exasperation. He pinned the blame for the pipeline disaster on incompetent management. "Behind many of these accidents there is negligence, irresponsibility and a lack of organisation," he said. "They keep recurring too often."

Accidents occur often in the West, of course: rail crashes and oil platform catastrophes have recently plagued Britain. But the Soviet disasters are symptoms of a wider malaise: the poor quality of manufacturing and maintenance in a centralised command economy, where there is no market mechanism to ensure a rational distribution of goods.

As a result, combine harvesters fail for lack of spare parts. And builders often fail to complete construction projects: there is now Roubles 6bn (24.9bn) worth of never-to-be-completed housing.

Another problem with the economic command structure is that all orders originate in Moscow. So personal initiative is minimal to the worker at the bottom of the pyramid. A much-reported feature of the earthquake rescues was that soldiers stood around piles of rubble doing little to help those trapped underneath: they were waiting for orders.

Indeed, nothing illustrates the endemic lack of initiative better than the sight of the Soviet leader rushing to a disaster. Apart from comforting the bereaved, his presence is one of few ways that rescuers can be galvanised into action.

His economic and political reforms are aimed at curbing some of these problems. He wants to increase personal initiative at every level, and upgrade technology and above all ensure that it is

better applied.

Until recently, the Soviet authorities - despite the gross inefficiency of most industrial production - could point to a few areas (notably defence and space) of unmatched achievement, made possible by a material concentration of human and massive resources.

But even this is under threat: yesterday's crash of a MiG-29 at the Paris Air Show will again raise questions about Moscow's ability to keep up with the accelerating pace of Western technology.

It could take a decade to make Soviet industrial production more efficient, and making it safer and cleaner is too urgent a problem to wait that long.

Mr Gorbachev should acknowledge that improved standards of safety and maintenance are an immediate priority for industry, and that this needs Western help.

It is straight imports of high-technology goods is too expensive, the Soviet leader might be better advised to allocate hard currency towards importing Western expertise to advise on industrial design and maintenance.

Western businessmen often complain

that Moscow purchases industrial equipment without hiring Western experts to put it into operation.

Expensive foreign equipment is often left lying around because Soviet workers are uncertain how to use it. Experts should be on hand to instruct them.

The news that Ases Brown Boveri has an agreement to upgrade power generation could be a welcome first sign that the Soviet authorities are prepared to purchase expertise in service and maintenance.

But more is needed. Time is running out for the Soviet leader on this issue; public concern about safety is growing, fuelled by the new trend of publicising disasters.

Concern about safety in nuclear reactors has already led to half-a-dozen nuclear plant programmes being halted in the last year, and there has been a fierce debate in the press about the standards of rail travel.

Mr Gorbachev should seek Western help in the short term rather than simply waiting for the gradual reform of Soviet management to take effect over many years.

Italy to help market Soviet discoveries

By John Wyles in Rome

AN apparently unprecedented attempt by the Soviet Union to market in the West its scientific discoveries in areas such as new materials, pharmacology, medicine and electronics will be launched in Genoa on Monday by a team of around 60 Russian scientists.

The two-day scientific fair and seminar follows an approach by the Soviet Committee for Science and Technology which at first astounded, and then excited, the top management at Iri, Italy's giant state industrial holding company.

"They know that they have some good scientific discoveries, but they do not know how to develop and market them. Since they also lack the hard currency for all of the imports they want to buy, this could be the beginning of a counter-trade in technology," said a senior Iri manager yesterday.

The Soviet approach came after the signature last October of a new Italian-Soviet technical co-operation agreement and took the form of an invitation

to visit Moscow to the most scientifically qualified delegation that Iri could put together.

When the four-man Italian team arrived in the Soviet capital in January, they were confronted by the directors of 120 top Soviet laboratories anxious to describe technologies which might be of interest to Italy and the West.

After a careful sifting, the Iri team selected a number of proposals which they believed were "at a world level" of innovation, although many are incomplete from the point of view of early industrial development.

Moscow came up with the idea of mounting a fair and, as a measure of its commitment, is sending more than 60 scientists of whom only 25 will have their costs covered by Iri.

The actual presentations to be made in the seminar meetings on Monday and Tuesday cover a wide range of techniques, such as curved steel tube manufacturing, chemically controlled machine tools, and the use of permanent magnets in biotechnology.

New Parliament told country heading for 'economic collapse'

By Quentin Peel in Moscow

A DEVASTATING critique of the economic and environmental crisis facing the Soviet Union was presented to a summit Congress of People's Deputies yesterday, as the new super-parliament neared the end of its first session.

Three leading radical deputies finally reached the microphone yesterday to attack not just the inheritance from the past, but misguided economic policies of the current administration.

Mr Nikolai Shmelev, the most outspoken radical critic of Soviet economic reform, said the country faced "economic collapse" if it failed to stop inflation and bridge the gap between consumer shortages and excess money supply.

He attacked Mr Nikolai Ryzhkov, the Prime Minister, for underestimating the crisis and failing to propose solutions. "Over the next two to three years, if we do not stop inflation, the decay of the consumer market and the monstrous budget deficit, then we face economic collapse."

He rejected Mr Ryzhkov's argument that the country had borrowed too much - the Prime Minister said the debt-service ratio now topped 25 per cent of export earnings - and called for an international loan to buy \$15bn worth of consumer goods.

Purchases of grain on the international market should be stopped, and the foreign currency saved paid to Soviet farmers to produce more grain.

Mr Shmelev argues that imported consumer goods can be sold at such a big mark-up in roubles that the Government can rapidly solve its chronic budget deficit: he put it at Roubles120bn (€118bn), or 24 per cent of the total budget.

His onslaught was matched by another on the party and government bureaucracy by Prof Alexei Yemalyanov, who claimed that the ruling elite still dominated every facet of life. The only area where "new thinking" had been consistently applied was foreign policy.

Genuine independence and incentives for state enterprises, as well as co-operatives, would

not be possible without dismantling the top bureaucracy.

Prof Alexei Yabolokov warned that the growing environmental crisis could lead to mass protests. "Either the Party turns green quickly, or ecological dissatisfaction will become politicised outside the framework of the party."

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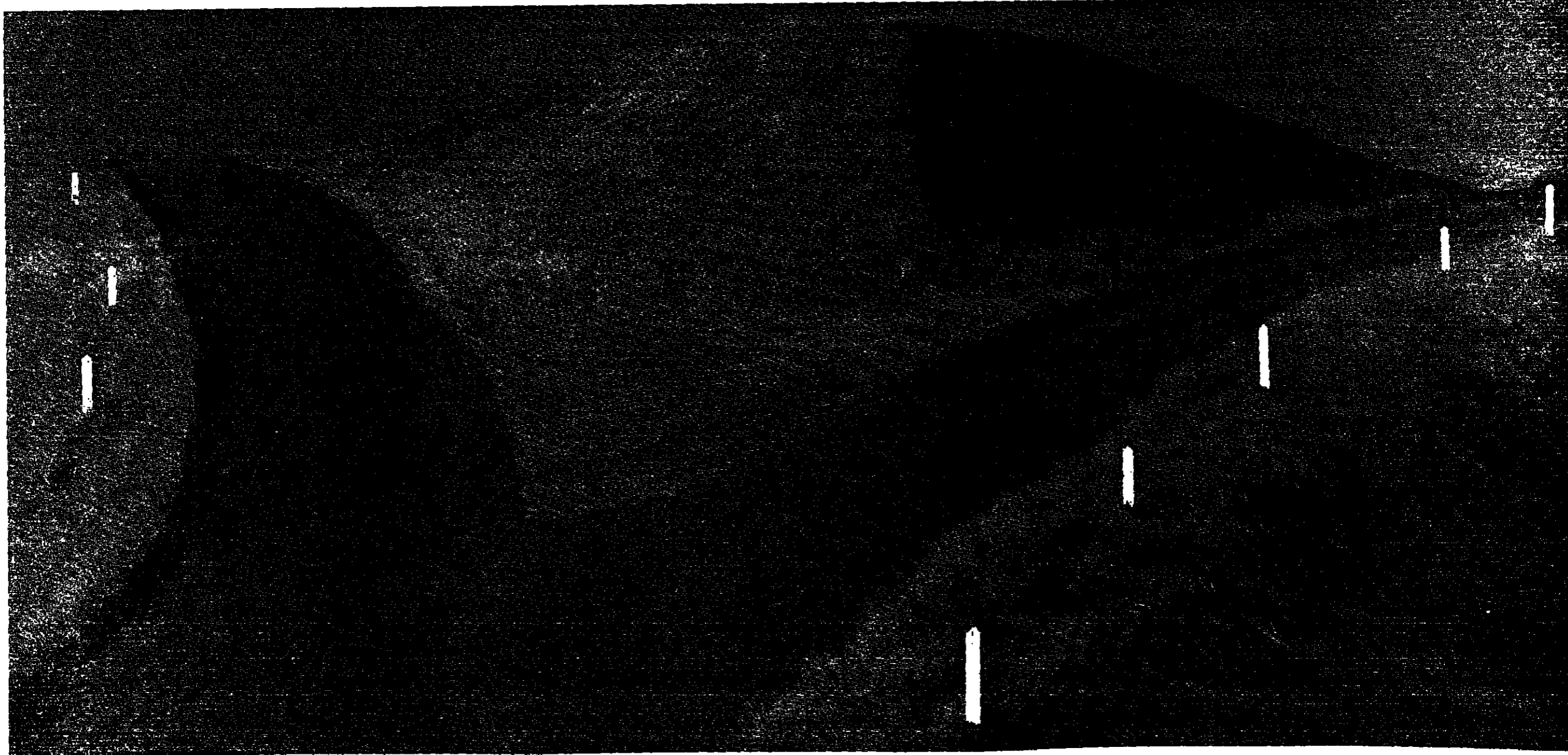
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EUROPEAN NEWS

Italians inspire the Euro-hustings with thoughts of a renaissance

TO A British eye, the European election campaign in Italy is sure to look like an exercise organised by Eurostatisticians for a nation of Eurolooms.

It may even be judged a little extreme by those on the continental mainland entertaining real ambitions for the Community's political development.

In no other EC country of comparable size, for example, is there such a uniform view among political parties that the EC's objective must be a federally united Europe.

No other country has passed a law enabling a clutch of non-Italian EC cities from Scotland's David Steel to West Germany's Daniel Cohn-Bendit, to stand on domestic party lists.

Certainly, no other electorate will also be voting in a referendum on June 18 which wants to know whether "you believe that the European Community must be transformed into an effective Union, equipped with a government responsible to Parliament."

The referendum proposal required the passage of a special constitutional law which breezed through the Italian parliament without encountering any of the obstacles which usually makes the legislative process as easy as running through quicksand.

It will almost certainly be adopted by large majority on an election turnout which is traditionally prodigious compared to the rest of the EC - 84 to 85 per cent in the last two European elections.

This appetite for "more Europe" owes much to the benefits, both economic and political, which Italians believe they are deriving from the Community, and also something to their dissatisfaction with the Italian State.

Unlike in France and Britain where attitudes to European integration are qualified by centuries-old experiences of sovereignty, and unlike West Germany where the state at

least commands loyalty as an efficient provider of services, Italian nationalism is more cultural than statist and sees much to be gained by transferring sovereignty into, perhaps, safer supranational hands.

This prospect causes no qualms about loss of national identity in Italy, because the

The results of the European poll will affect the domestic balance of power in the next government and could even lead to early national elections, writes John Wyles in Rome

culture is so strong that no Italian could conceive of its being swamped by any Eurohybrid.

It should be no surprise, therefore, that the Italians are developing a sense of mission about Europe.

Mr Bruno Visentini, the former Finance Minister and Republican Party elder, ruminated on Italy past and present at a Euro-election rally last weekend, saying: "Italy was great when it occupied a central role in Europe, it was the renaissance of the country... to be in Europe means accepting difficult commitments, giving and taking from Europe. An economic union is not enough for this."

A mark of the new Italian seriousness of purpose is the determined attempt under way to correct the country's embarrassing and appalling record in applying EC directives.

An omnibus bill has been passed to carry 100 directives into law, and 100 more are likely to be on the statutes by the year end.

Campaign speeches, moreover, centre on the need to solve domestic problems so Italy can rise to the challenge of the single market, while stressing the dangers of failure.

Mr Visentini spoke of the need "to bring order to the country if we want to create

Europe" by raising the poor quality of public services. Other politicians stomp the South warning that "an economy without frontiers risks pushing us down into a new colonialism."

It is a Community-wide truism that this and previous campaigns are more about

votes slumped severely - though not from the 1984 level of 83.3 per cent, which was inflated by the death during the campaign of the party's respected leader, Mr Enrico Berlinguer. The PCI knows it has no hope of holding this.

The question, particularly with the crisis in China highlighting that faced by world communism, is whether the party can approach the 38.6 per cent it polled in 1987.

The Christian Democrats, Italy's largest party, and the Socialists stand to gain most from a further hemorrhage of PCI support. The smaller parties are increasingly alarmed about the potential squeeze from these two and so, in defence, the Republicans and the Liberals, together with a smattering of Radicals have banded together for Euro election purposes as the *polo unico* (key alliance).

Its leaders hope for a combined 10 per cent share of the June 18 vote. However, the 1984 election nags them as a worrying precedent: then the Republican-Liberal alliance polled 8.1 per cent, well below their individual strength in national elections.

Moreover, it is harder for them to attract attention when foreign news from China, Poland, Iran and the Soviet

Union dominates the headlines. The attention problem is more serious for Italy's divided "Green" movement. Divisions over personalities, means and objectives has produced two Green lists which will do well to poll a combined 5 per cent.

Success in the election is virtually guaranteed for such notables as Mr Bettino Craxi, the Socialist leader, who heads his party's list in the north-west, centre and south of the country, Mr Giulio Andreotti, the Christian Democrat Foreign Minister, Mr Arnaldo Forlani, the DC party secretary, and Mr Occhetto, the PCI secretary who is standing in three of the nation's five giant constituencies.

The question is whether any of them will actually attend Strasbourg parliamentary sessions if elected, or whether the PCI stand down in favour of lesser names on their party lists.

Italians may be more impressed by their political class's commitment to Europe

EUROPEAN ELECTIONS



Union dominates the headlines.

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Italians may be more impressed by their political class's commitment to Europe

Coca-Cola style commercial puts fizz into SPD campaign

By David Goodhart in Bonn

WEST GERMANY'S opposition Social Democrats (SPD) are selling themselves like Coca-Cola.

The party's main European election broadcast consists of a few modishly dressed, pretty young people swaying together on a hill top singing "We are Europe."

SPD strategists maintain that the empty-headed image is helping to establish them as the party of Europe, instead of the ruling Christian Democrats.

The happy hill top could not be found in Gelsenkirchen, however, on a rainy Saturday afternoon.

This declining mining town in the Ruhr is the SPD's backyard, and it was where Mr Gerd Walter, the SPD's European leader, came to eat sausages and talk about the "social dimension."

He did both with some style. The 40-year-old chairman of the SPD in the northern state of Schleswig-Holstein has been a Euro-MP for 10 years and now heads the 33-strong SPD group (out of a German total of 81) in the European Parliament.

He looks like one of the new breed of suave progressives now rising to power in the SPD, but the training shoes worn with his expensive-

looking suit indicate that he has not forgotten his radical roots.

Through the drizzle he talked clearly and briefly to a few dozen loyalists about the need to strengthen environmental protection and social standards in Europe and to stop the rise of the far-right.

The issues were the usual domestic ones with a European gloss. Even the looming EC argument about coal subsidies - which could have important consequences for local employment - was an excuse to attack the Bonn Government, not the Brussels Commission.

The cool Mr Walter only became emotional over the possible reunification of Europe. "Frague, Warsaw, Budapest are all as much part of Europe as Paris, London and Bonn. We now have a historic chance to rebuild one Europe with our own hands, free of the super-powers," he said.

While such talk may cause great excitement in Washington, hardly an eyelid was batted in Gelsenkirchen.

Privately Mr Walter admitted that there was little disagreement over European fundamentals between the main parties in Germany - compared to Britain.

Reflecting historic constituencies, the SPD is more inter-

ventionist and nationalist than the CDU on energy policy, but more liberal and anti-subsidy on support for farmers.

He said 1992 has raised people's consciousness about Europe and made the campaign more interesting than five years ago. So interesting in fact that Mr Walter has even persuaded the two former SPD Chancellors - Mr Willy Brandt and Mr Helmut Schmidt - to pose together for an election poster.

This was quite an achievement - there is bad blood between the two and Mr Schmidt has not publicly endorsed the SPD since 1982.

Although Germany as a whole may be losing enthusiasm for the EC, the idea of Europe - fused with idealistic socialist internationalism - still casts its spell in the Gelsenkirchen SPD.

Saturday's SPD "Family Day" boasted stalls from every EC country, Chinese and Greek dancers, and an eccentric local Euro-MP, whose hobby is cycling around Europe with a symbolic piece of border post.

Later, at a 3,000-strong SPD rally in Cologne, Mr Walter spoke again of a re-united Europe and compared the Czech dissidents with the Spanish Republicans of the 1930s.

Constituency Profile: Highlands and Islands EC flag flies high in the far north

By Tom Lynch

THE FERRY docking at the remote Hebridean port of Tarbert sports the lion rampant and the Scottish saltire - but it also carries a golden sun on a blue background to show that European Community funds paid half its building costs.

Passengers drive up the pier's EC-funded hydraulic ramp, along roads the EC helps build, past shops owned by the EC farm regime grazing on crofters' land improved with EC grants. Off the coast float fish farm cages, also courtesy of the EC, while trawlers fish for EC quotas.

The EC has a higher profile in its remotest corner than anywhere else in Britain, but there is no sign of election fever. Mr Norman MacAskill, the Labour candidate, attracts six party members to his public meeting; no-one at all comes to hear Mr Neil Mitchell, the Social and Liberal Democrat.

The evenings are fine, few people know there is an election on, and it is the height of the peat-cutting season. In any case, the islanders know that bureaucrats and the Council of Ministers set the EC grants regime, not the Parliament.

The Highlands and Islands constituency is the EC's largest: including the water between the islands it is the size of Denmark.

It takes in Orkney, Shetland and the Hebrides (as different from each other as from the mainland), Inverness and the towns of the eastern Highlands with their oil-related and other industry, the far north with its controversy over forestry and the uncertainty and fears for the future of the Dounreay nuclear plant, the fishing towns and villages and the farming, food processing and resurgent whisky distilling of the interior.

Taking the pulse of such an area is difficult. Candidates clock up thousands of miles by car, ferry, plane and train, take seven or eight different pulses and hope to come up with a sensible answer.

Unlike most British citizens, people here know who their MEP is. Indeed, many in other parts of Scotland believe they have been represented since 1975 by Mrs Winnie Ewing - "Mama Ewing" to the tabloid press - who has not been far from the public eye since she started the modern Scottish National Party bandwagon rolling with her dramatic Hamilton-by-election win in 1987.

She says this is the first of her nine UK and European election campaigns in which she is not the underdog and the first in which the SNP is setting the agenda - its vision of an independent Scotland within the EC, and opposition to the poll tax and nuclear

waste dumping at Dounreay. This is the SNP's only seat and Mrs Ewing took 41.8 per cent of the vote last time. Sir Russell Johnston, the veteran Scottish Liberal was second with 19.97 per cent. The SNP with 28.1 per cent. The Tory polled 16 per cent and Labour 14 per cent.

The SLD has much to lose in this poll. This is perhaps the only European constituency in the UK where it has no excuse for doing badly. It holds five of the area's seven Westminster constituencies and it would win easily if the 74,000 who voted SLD in the 1987 general election stayed loyal.

However, the shambles within the centre parties over the past year has not helped. Mr Mitchison, who was a Gaelic broadcaster before moving to work for the European Commission in 1985, says his strong local ties and his EC experience are his assets, along with his party's consistent commitment to the EC.

Sir Albert McQuarrie, the former MP for Banff and Buchan, is charged with restoring Conservative credibility in an area the party once dominated but where it now has no Westminster seats. Revelling in his nickname "the Buchan Bulldog," he dismisses suggestions that his "Salad" opponent is the main challenger - it's a two-horse race he declares, and he's one of them.

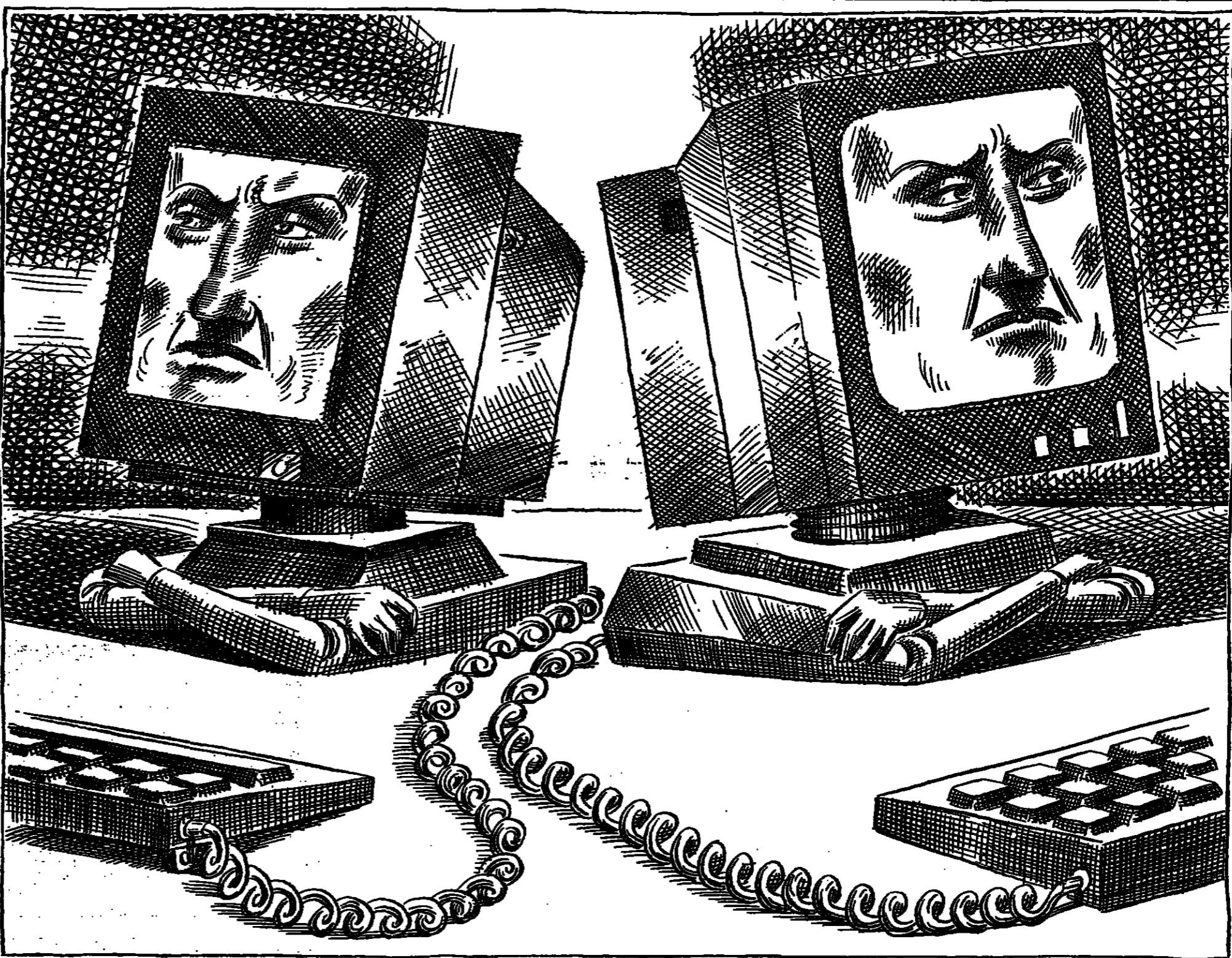
Travelling the constituency in a cavalcade of cars, including a decorated milk float, he insists that he is setting the agenda, challenging the voters to reject independence and become "the only united party."

However, on top of the general unpopularity of Mrs Thatcher's party in Scotland, the poll tax, introduced on April 1, is spawning a crop of hostile press stories.

Mr Mitchison brings his EC expertise to bear in arguing strongly that the EC would be slow to admit an independent Scotland, partly for constitutional and practical reasons and partly because other member states have national minorities. He challenges listeners to back the principle of a democratic, accountable EC.

He and Mr MacAskill both stress the need for EC policies to conserve communities as well as the environment. Mr MacAskill says the Highlands and Islands - "a periphery of a periphery" - would be crushed in a Europe of unbridled market forces. Equally, he rejects the SNP's vision as "the politics of the playground."

For the Green Party, which did not stand here last time, Mr Michael Gregson is standing on a comprehensive and imaginative programme, admired for its thinking even by his opponents. The Greens may make a strong showing.



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EUROPEAN NEWS

OECD REPORTS ON SPAIN AND SWITZERLAND

Madrid criticised for subsidising creation of jobs

By Peter Bruce in Madrid

SPAIN'S Socialist Government has been taken to task for "indiscriminately" subsidising job creation and state enterprises in the latest report on the Spanish economy to be published today by the Organisation for Economic Co-operation and Development.

In an otherwise bullish report, the OECD notes that the budgetary cost of employment promotion schemes in Spain rose 40 per cent to 0.5 per cent of gross domestic product between 1986 and 1988.

"Indiscriminately subsidising employment in a country where demand for labour is growing rapidly and labour reserves are large... may even fail to provide incentives for the creation of viable permanent jobs," the report says.

"Limiting employment subsidies to new hirings with indefinite contracts does not solve the problem of subsidising jobs which would have been created anyway."

It also says that subsidies, mainly to state-owned companies, have fallen too slowly, to 4 per cent of GDP last year, and that "the availability and provision of budgetary funds encourage financial laxity and retard necessary structural adjustments."

Thus tighter policies vis-à-vis loss-making enterprises, including closures of non-viable lines of production, would help strengthen public finance.

The OECD agrees with Government forecasts of a \$5bn rise in Spain's current account deficit this year, from 2 per cent of GDP, but says this is not worrying provided production capacity in export industries grows faster than in purely domestic plant and that the country continues to attract foreign capital.

The Bank of Spain reported earlier this week that foreign currency reserves had risen a further \$776bn in March to \$43.6bn. The peseta, meanwhile, has weakened to around Ptas 164 to the DM after rising to Ptas 162 earlier this year after the imposition of strict credit controls.

According to the OECD, Spain's GDP grew 5 per cent last year, with the small decline from 1987 wholly

accounted for by a drop in agricultural production. Gross fixed investment grew close to twice its forecast 8 per cent while real disposable household incomes grew 5 per cent.

The number of people in work grew by 300,000, or 3 per cent of the workforce, with a particularly strong increase in the number of women winning new jobs.

The number of women entering the jobs market kept the official unemployment rate high at 18.5 per cent, but the report forecasts a slow reduction to 16 per cent by the end of 1990.

A sharp rise in inflation since the end of last summer, says the report, is probably more easily explained by demand pressure rather than a dramatic increase in production costs.

GDP is forecast to rise 4.75 per cent this year, with total domestic demand rising more than 6 per cent but, the report suggests, rising inflation in some of Spain's main trading partners may dampen import demand and encourage a shift in financial resources to export industries.

The report also notes with concern the deterioration in relations between the Government and the trade unions and urges that the breakdown in bipartite negotiations between Government, industry and labour be repaired.

It applauds Madrid's efforts to combat widespread tax evasion but suggests that tax on labour, which is taxed at source, bears much of the burden of the tax base should be widened, the OECD says, to soften union militancy.

It urges Madrid to step up the pace of deregulation and trade liberalisation in order to hold down inflation - now running at 6.7 per cent year-on-year - but says this should be accompanied by a better balance of fiscal and monetary policy to avoid pushing up interest rates and damaging exports.

So far, the OECD implies, success in bringing public sector borrowing to 3 per cent of GDP has more to do with the strength of the economy than with smart policy.

Swiss growth in 1989 forecast at 2.5%

By William Dullforce in Geneva

SWITZERLAND should continue to enjoy satisfactory economic growth over the next 16 months and recent action by the Swiss National Bank (SNB) should help to halt the recent decline of the franc, according to the Organisation for Economic Co-operation and Development.

In its latest economic survey of the country, the OECD secretary general predicts in gross domestic product growth rates of 2.5 per cent for 1989 and 2.5 per cent for 1990, following the unexpectedly strong 3 per cent increase recorded last year. But it notes increasing inflation in the economy, reflected in labour shortages and high capacity utilisation among manufacturers.

It foresees a further upward push in the domestic inflation rate from 2 per cent in 1988 to 3.5 per cent next year and it expects the current account surplus to continue its decline from 5 per cent of gross domestic product in 1986 to 2.5 per cent next year.

The OECD's latest short-term projections on the economy differ markedly from those contained in its last survey published in April, 1988. Then, it forecast a slowdown in GDP growth to 1.5 per cent in 1988.

But that estimate was predicated on a 2.5 per cent increase in the trade-weighted exchange rate of the franc between 1987 and 1988 and a 8.8 per cent appreciation against the dollar. In the event, the real effective exchange rate declined by 7.2 per cent during the year and by 10.3 per cent between December 1987 and March 1988, precipitating widespread domestic concern about monetary policy, the status of the franc and inflation prospects.

In retrospect, it is evident that monetary policy, hampered by the uncertainty created by new liquidity regulations for the banks and a computerised interbank clearing system, was too expansionary last year.

Recognising the National Bank's difficulties in using more direct monetary indicators as a policy guide, the OECD suggests that monitoring the exchange rate may be of particular importance in the present situation. With the reservation that it is still not clear whether the banks have adjusted to their new liquidity rules, the OECD secretary general nevertheless sees the SNB's tight target of 2 per cent for the growth in base money this year bringing about a substantial rise in short-term interest rates and helping to stabilise the franc and restrain inflation.

The weaker franc has stimulated exports, and the OECD pins its new, more favourable outlook for economic growth this year to the strength of recent business investment. This, it estimates, is likely to continue despite the rise in interest rates.

In the longer perspective, the OECD repeats some unheeded recommendations which it believes would remove potential impediments to growth. It urges the Government to modernise the federal tax system. The Finance Ministry has circulated proposals, all of which include the abolition of the cumulative tax on shareholders, which taxes direct monetary indicators particularly affects foreigners and which inhibits the development of public companies under pressure of market forces."

UN farm agency agrees refinancing arrangement

By John Wyles in Rome

DONOR COUNTRIES to the UN agency for Third World Farmers, the International Fund for Agricultural Development, yesterday ended 18 months of negotiations with a \$522.9m (£330.5m) refinancing.

The total is less than the \$750m sought by IAD's president, Mr Idriss Jazairi and is marked by a 13 per cent drop in the loans assumed by the Opec countries.

Opec is contributing \$124.4m

instead of the \$124m in the second financing in 1986. Most Opec members agreed to maintain their earlier contributions, but the largest donor from this group, believed to be Saudi Arabia, insisted it had to reduce its contribution.

Beneficiary countries will bear 10 per cent of the total, Opec managed by an offer by OECD industrialised countries to give three dollars for every one by the developing group.

SOCIETE GENERALE DE BELGIQUE
Société Anonyme
Incorporated in Brussels by Royal Decree dated 28 August 1922
Registered Office: 29 rue Royale 1050 Brussels
Trade Register: Brussels 17.467

The Board of Directors is pleased to invite shareholders to assemble at the Company's registered office, rue Royale 29, Brussels on Tuesday 20 June 1989 at 10.30 a.m.

For the annual general meeting, in accordance with article 22 of the Memorandum and Articles of Association, to vote on the following agenda:

Agenda

1. Board of Directors' and Auditor's reports for the 1988 financial year.
2. Discharge to members of the Board of Directors and to the Auditor.
3. Determination of the number of shares and listing their fees.
4. Appointments according to the Articles of Association.

Following the ordinary general meeting, there will be an extraordinary general meeting to vote on the following agenda:

Agenda

1. Modification of the representation of the company's capital by replacing existing ordinary shares by new ordinary shares of the same nominal value as the old shares, in each case by substituting three new no-par value shares for two existing shares.
- As a consequence, decision on exchanging shares without charges for shareholders.
2. Corresponding modification of the number and subscription price of the new shares to be issued by virtue of the rights attached to the warrants created on 4 January 1987.
3. Amendments to the Articles of Association.

Article 3, Paragraph 1:
To make it correspond to the new capital representation.

Article 7, Paragraph 1, 2:
Replacing the sum of 6.50F by 0.25 with regard to the new capital representation.

Article 7, Final paragraph:
To replace the supervening rate on APV shares (6.80%) by the rate of 5.80% in view of the reduction in corporation tax from 45% to 40% with effect from 1988 tax year and to replace the supervening rate (10.75%) by the sum of 8.50% per share taking into account both the new rate of 5.80% and the new capital representation.

4. Powers granted to the Board of Directors to implement the resolutions to be taken on the preceding points.

In order to attend the meetings, shareholders should, in accordance with article 18 of the Articles of Association, deposit their shares at the company's office by Tuesday 13 June 1989 at the latest, or at one of the following banks:

In Belgium: Generale Bank, Banque Induscielle Belgique.
In France: Generale de Banque Belge (France) Banque Induscielle.
In Luxembourg: Banque Generale de Luxembourg.
In Great Britain: Banque Belge Limited.
In Switzerland: Credit Suisse, Societe des Banques Suisses, Union de Banques Suisses.
In the Federal Republic of Germany: Deutsche Bank, Generale Bank & Co.

Shareholders who wish to be represented at these meetings are invited to notify their proxies to the company's registered office at the earliest convenience and to bring 18 June 1989 at the very latest, the date laid down by the Board of Directors in accordance with article 23 of the Articles of Association.

Participants are requested to present themselves from 9.30 am onwards for the registration procedure.

Brussels, 31 May 1989
H. de CARNAVY Managing Director
E. DAUVIGNON Chairman

ARAB BANKING CORPORATION (B.S.C.)
USD 150,000,000
Floating Rate Notes due 2000

For the six months, June 8, 1988, to December 7, 1988, the rate of interest has been fixed at 5 1/2 1/8% PA.

The interest due on December 8, 1989 against coupon nr 9 will be USD 473.99 and has been computed on the actual number of days elapsed (193) divided by 360.

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AMERICAN NEWS

Rates throw Mexico off debt course

By Richard Johns in Mexico City

SURGING domestic interest rates have cancelled out the benefits to Mexico of increased oil revenues, upsetting the government's fiscal calculations and making all the more urgent a deal with creditor banks on debt refinancing.

Mexico's foreign exchange earnings from oil exports in the first five months of 1989 were 40 per cent higher than projected in the budget, with most of the increase resulting from higher prices, according to Pemex, the state oil corporation.

For the Mexican Government, however, the fiscal gain from the marked rise in per-barrel revenues this year has been more than offset by the increased cost of domestic borrowing.

To compete for funds on the local market and to prevent further capital flight, the Government has had to pay increasing rates of interest rates. At the last auction, in May, of 28-day Treasury bills (Cetes), the predominant money market instrument, it had to pay more than 66 per cent, the equivalent in real

terms of about 3 per cent monthly.

With the negotiations with commercial banks on a reduction and restructuring of \$4.5bn of debt in the balance, the Government is very nervous about a renewed outflow of funds. Foreign exchange reserves are believed by some bankers to have dropped to as low as \$4bn.

Negotiations on refinancing will be resumed in New York tomorrow with the backing of reassurances by the International Monetary Fund, the World Bank and the Inter-American Development Bank about funds available for guarantees on interest and principal payments.

The cost of borrowing this year has been about one-third higher than envisaged at the beginning of the year, and will have to be offset by higher receipts from Pemex.

Oil exports averaging 1.5m barrels a day during the January-May period earned \$3.24bn at an average price of \$15.32 per barrel, Pemex announced this week. The very cautious budgetary assumption had

been a volume of 1.25m b/d at \$10 per barrel.

Banks involved in negotiations over Mexico's plan for a 55 per cent reduction in liabilities to commercial banks have argued that higher oil prices have lessened the need for relief.

Pemex was expected to contribute 27-28 per cent of revenues (including value-added tax) but projected income in the 1989 budget covers only about 52 per cent of expenditure, which was set at \$46,507 bn pesos (just over \$100bn at current exchange rate) with the rest to be covered by domestic and foreign borrowing. Amortisation of debt and interest payments accounted for 60 per cent of spending.

In talks preceding agreement with the IMF on a \$3.6bn extended loan facility in April, the Government's macroeconomic programme underwent some revision.

It is understood that the IMF conceded the inevitability of an increase in the budget's operational deficit (including interest payments) from 7,963bn pesos to 12,130bn, with all the difference of 4,200bn pesos

(\$1.72bn) accounted for by interest rates higher than originally anticipated.

That figure has already had to be amended. While the Mexican Government's letter of intent to the IMF targeted a reduction of domestic interest payments to 9 per cent of GDP, a projection made more recently estimated just over 11 per cent - in practice, a difference of the peso equivalent of \$3bn.

Only a very successful conclusion to the negotiations with the commercial banks in the near future will open the way for a lowering of interest rates, in the view of officials and economic analysts here.

Mr José Córdoba, Technical Secretary to the Cabinet and President Carlos Salinas's right-hand man, is believed to have been given overall charge of Mexico's negotiations with the banks.

The president's decision followed a dispute in the Mexican camp after Mr Angel Gurría, chief of negotiator and Undersecretary for Financial Affairs, had proposed a partial suspension of debt payments in the last round of talks.

Menem hits trouble on labour portfolio

By Gary Mead in Buenos Aires

MR CARLOS Menem, Argentina's president-elect, faces the prospect of serious inter-union conflict, after his decision this week to nominate a trade union leader as his Labour Minister.

He confirmed this week that the crucial post is to be filled by Jorge Triaca, head of the plastic workers' union. But Mr José Rodríguez, leader of the car-workers' union (SMATA), had publicly stated before the presidential election in May that he had been offered the post by Mr Menem, if his Peronist party were to win the presidency.

Mr Menem's victory signalled the start of a struggle within trade union circles to gain the Labour Ministry. Trade union support was crucial in Mr Menem's election; its rewards were always likely to be a set in government, with the Labour Ministry the strongest bet.

It appears that Mr Rodríguez fell foul of an old rivalry

Moscow challenged on Nato arms offer

By Peter Riddell, US Editor, in Washington

relations skills and to put him on the defensive.

Mr Baker argued that, "if the Soviet Union truly wishes to channel needed resources from the military to the civilian sector, then these new (Nato) proposals surely offer the opportunity."

He argued that the time was right for Mr Gorbachev "to respond positively to the opportunities presented by these initiatives. Indeed, we look for him to do so when he travels to West Germany."

Noting that the alliance had urged the Soviets to reduce unilaterally their short-range nuclear systems down to Nato levels, Mr Baker said that next week Mr Gorbachev "can sustain this new spirit by answering this call and by announcing a real cut in Soviet short-range nuclear forces."

Mr Baker noted that the west's approach went beyond arms control and was aimed at removing the divisions of Europe.

Bush faces decision on FSX curbs

By Peter Riddell

PRESIDENT George Bush faces a tricky decision on whether to veto legislation passed by the Senate and the House of Representatives, imposing restrictions on the controversial FSX fighter project with Japan.

The project will almost certainly go ahead, although the House, late on Wednesday, passed a non-binding resolution of disapproval by 320 to 88, mainly to signal the widespread concern of Congressmen both that Japan should have bought the fighter outright from the US and generally about Japanese trading practices.

The problem now is whether Mr Bush believes that the restrictions imposed by Congress either infringe his presidential prerogatives or require a further renegotiation of the deal with Japan.

Democrat hints at capital gains tax compromise

By Peter Riddell, US Editor in Washington

HEAVILY hedged hints of a possible compromise in the controversy over cuts in capital gains tax have been made by Mr Dan Rostenkowski, the Democratic chairman of the House Ways and Means Committee, which originates all tax legislation.

Mr Rostenkowski, who has strongly opposed the Bush administration's proposals for a reduction in capital gains tax, yesterday conceded that such a cut might be unavoidable. Democrats have opposed the cut because they say it would disproportionately benefit the wealthy.

He has said he is under pressure to produce a tax bill this year to help reduce the Budget deficit, and might be prepared to discuss a capital gains tax reduction if President Bush changed his mind and was willing to accept a tax increase elsewhere in return.

Investment in equipment 'set to grow strongly'

By Peter Riddell

US business investment in plant and equipment looks set to grow strongly for the rest of this year, according to the latest Commerce Department survey.

This projection suggests the US economy will continue to expand for the rest of the year, albeit at a slower pace.

A survey conducted in April and May points to a small revision upwards of expected investment in 1989 compared with results of previous interviews in January-to-March.

In real, inflation-adjusted terms, spending on new plant and equipment is now projected to rise by 6.5 per cent, compared with 6.3 per cent previously and actual increases of 2.3 and 10.1 per cent in 1987 and 1988.

Main upward adjustments have come in investment plans for non-durable goods companies and public utilities.

Struggle to stem political tides

Tim Coone looks at the uncertain future of the Panama canal

A PART from the US army helicopters clanking overhead, there is little evidence along the Panama Canal of the political crisis that is threatening to plunge this diminutive but strategically important country into war. That could soon change however.

Since the crisis began in June 1987, and which was exacerbated last month by a government-engineered electoral fraud, canal operations have been relatively unaffected.

While General Manuel Antonio Noriega has thumbed his nose at US efforts to remove him from power, cargo tonnage through the canal has continued to grow by an average 6 per cent annually. Tolls in 1988 were up 2.8 per cent on the previous year.

However, doubts are also growing over the canal's operating efficiency, and its long-term development as an interoceanic transport route, should the political crisis continue indefinitely.

Mr Fernando Manfredo, the Deputy-Administrator of the Panama Canal Commission (PCC), said that staff accident rates had risen sharply in the past 18 months because of stress, and that "although there has been no adverse impact on the operation of the

Brazil angry at choice of US envoy

By John Barham

MR RICHARD Melton, the controversial former US Assistant Secretary of State for Central America, will be the next American Ambassador to Brazil, despite misgivings in Brasilia.

The Brazilian Foreign Ministry was reportedly to be angered by his choice to replace Mr Harry Schlamme, who had been confirmed by the US Senate, but this is expected to be a formality and he should take up his post by early autumn.

Mr Melton has irritated Latin American governments with his record in Central America and as Ambassador to Nicaragua.

The Nicaraguans accused him of interfering in their internal affairs and declared him persona non grata.

An official of the US Embassy in Brasilia commented: "There is a tradition of incoming ambassadors being roughed up."

Mr Melton's nomination aroused further controversy after a Brazilian congressional staffer claimed he had been interrogated by Mr Melton while held as a political prisoner in 1967.

Mr Melton was serving as a vice-consul in Recife at a time of intense political repression under a regime closely supported by Washington.

Democrat hints at capital gains tax compromise

By Peter Riddell, US Editor in Washington

HEAVILY hedged hints of a possible compromise in the controversy over cuts in capital gains tax have been made by Mr Dan Rostenkowski, the Democratic chairman of the House Ways and Means Committee, which originates all tax legislation.

Mr Rostenkowski, who has strongly opposed the Bush administration's proposals for a reduction in capital gains tax, yesterday conceded that such a cut might be unavoidable. Democrats have opposed the cut because they say it would disproportionately benefit the wealthy.

He has said he is under pressure to produce a tax bill this year to help reduce the Budget deficit, and might be prepared to discuss a capital gains tax reduction if President Bush changed his mind and was willing to accept a tax increase elsewhere in return.

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OVERSEAS NEWS

Deluge of propaganda starts to drown the hopes of freedom

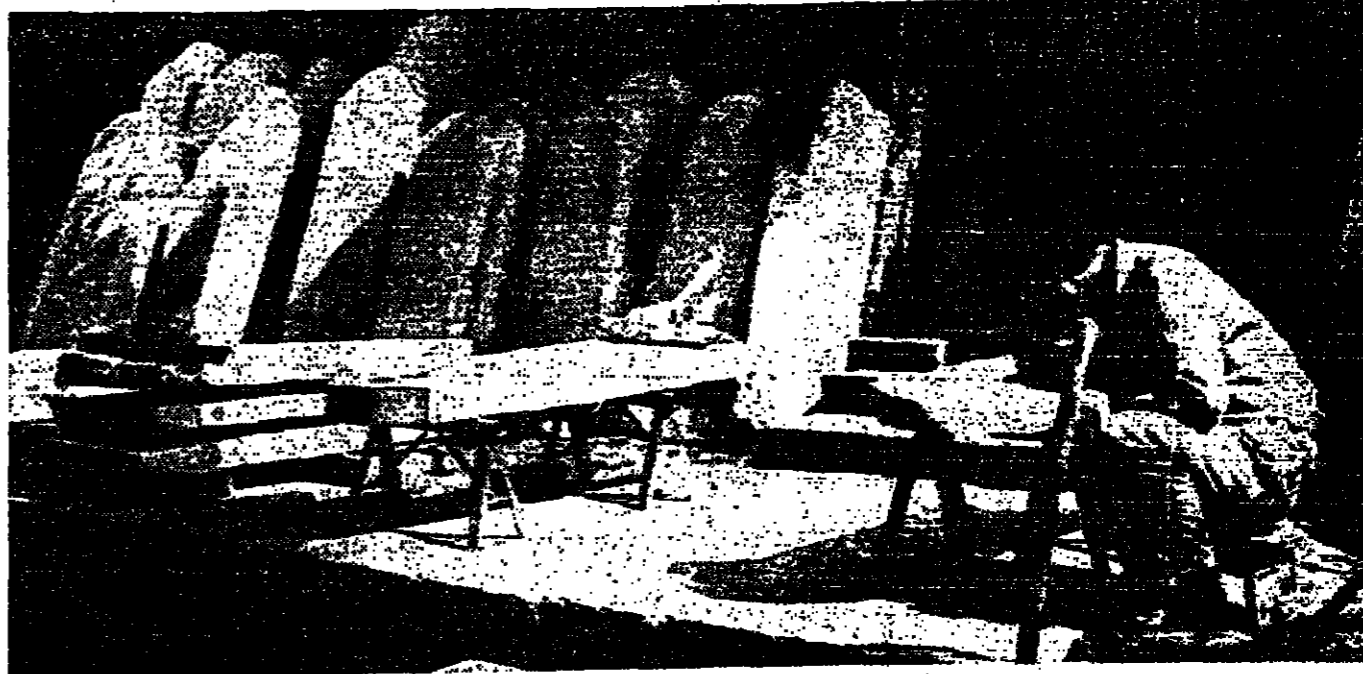
Robert Thomson on the backlash against 'counter-revolutionaries'

HANGING from one wall was a board charting work attendance rates, and around the meeting room were banners awarded to this particular sanitation section of Peking city government for its contribution in 'building the motherland.'

men and women who, for whatever reason, are faithful to the party above all else. The relentless rewriting of history and the distorted party documents do not make for compelling television images in the West, but they, too, are maiming people.

Premier, who appeared triumphantly on television last night, implied that criminals who give themselves up will be treated with relative lenience. If Li and his comrades remain in power, an increasingly likely prospect, the number of intellectuals and students transferred, sacked, detained, or just black-marked and terrorised will be incalculable.

Both men were aware that the US had criticised China for the events last weekend, but did not know that other nations had condemned Peking and imposed sanctions. Li Peng has suggested in a party document that both men would have read that Washington could have orchestrated the democracy protests because of concern over improving Sino-Soviet relations.



A mason engraves tombstone inscriptions in Peking yesterday. "The dead haven't come yet, but I'm expecting them," he said

Chinese situation and the situation is very complex. Foreign countries should seek truth from facts," the man in the Mao suit said. "Seek truth from facts" is a Maoist saying co-opted by Deng Xiaoping. Like many of Mao's sayings, it is vague enough to be re-interpreted and used by the party to justify the policies of the day.

These two are already walking the new party line. Television is doing its bit to convert disbelievers, showing cleverly edited scenes of the violence of Saturday and Sunday. Other institutions in the apparatus have also begun to fall in line. The Foreign Ministry has issued a statement condemning the US, and Xinhua, the official news agency, has begun issuing diatribes against the targets of the day.

On the streets, there was another symbol of the alienation that the apparatus causes. Until yesterday, the traffic police had been shut out of the military government, they were outside the system. On virtually every corner in Peking, traffic police had come down from the little boxes in which they sit reading newspapers and drinking tea.

Yesterday, the traffic police were back in their little boxes. The purpose of granting right of entry was to give them the confidence to remain in the colony. "I would like to see the sort of assurances that will enable people to stay in Hong Kong," he said.

Regional turmoil follows Peking massacre

Colina MacDougall reviews the extent of the unrest in China's provinces

CHINA'S regions are falling into line behind Peking's military action last Sunday with apparent reluctance, as chaos increases in provincial cities. Local leaders probably fear they will fuel more disruption by supporting Peking, when much of the protest is reaction against the army's bloody sweep through the capital. Even army units have not given total support for the military action in Peking.

named by Radio Peking as supporters, but they had not gone on record to that effect by yesterday. None of this is surprising given the violence and the uncertainty about how to respond to it, which is spreading across China. The main centres of provincial upheaval are Shanghai, Wuhan, Xian, Nanjing, Changsha, Chongqing, Chengdu and Lanzhou, though disruption has affected numerous other towns and cities. This is likely to be confirmed as reports flow in from outlying areas.

Roads blocked by demonstrators and vehicles crippled the city's transport system, although the number of demonstrators had dwindled. Residents watched nervously as troops stayed on the edge of the city, a Wuhan university student said. In Changsha in the southern Hunan province there were long queues for rice. Elsewhere in the province roadblocks prevented steel going to the Wuhan steel works.

The city gates in Xian, closed since Monday, remained barricaded by thousands of protesters who had blocked them with buses, trucks and steel traffic dividers. In Nanjing, in east China's Jiangsu province, a student said the situation was still "extremely nervous." He added that the city was in a state of confusion, with clashes between protesters and police. People were also withdrawing money from banks.

Reversal of HK policy urged

By Philip Stephens, Political Editor

SIR David Wilson, the Governor of Hong Kong, yesterday sharpened the British Government's dilemma over the crisis in China by saying it to reverse its refusal to allow the colony's British citizens right of entry to the UK. During a day of urgent talks with Mrs Margaret Thatcher, the Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary, Sir David made it clear that they should be prepared to underpin confidence in Hong Kong by offering a refuge of last resort.

Whitehall said the expression of the student demonstrations in Peking had left Mrs Thatcher with an acute dilemma. Senior ministers stressed that the Government's position was that any new flexibility on rights of entry would apply only to key, relatively small, groups of people in the colony. They pointed out that there was little point in granting Westerners for a blanket guarantee.

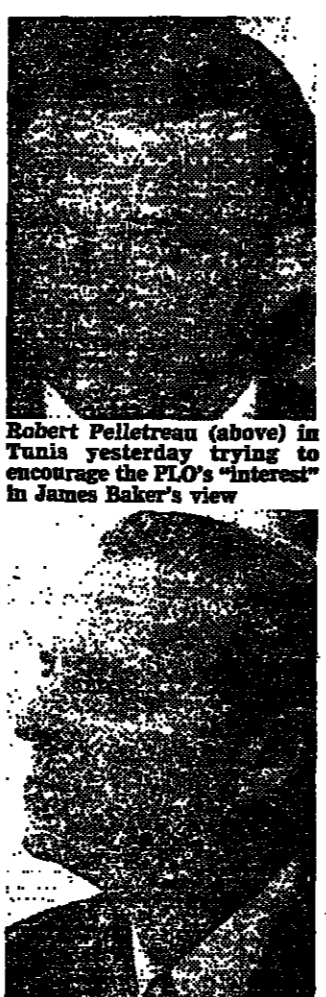
There were strong suggestions that Sir David's call for a blanket right of entry was a negotiating tactic to pressurise the Government to accept as many people as possible. Senior officials said, however, that attempts to work out self-contained or distinct categories of people to be granted the right of entry - without severely damaging morale in the rest of the community - were proving immensely difficult.

US-PLO talks fail to resolve issue of W Bank election plan

By Jihan el-Tahr and Andrew Gowers in Tunis

THE US failed yesterday to persuade the Palestine Liberation Organisation to reconsider its opposition to a plan for elections in the occupied West Bank and Gaza Strip being promoted by the Israeli Government with American support. At a third formal session of the US-PLO dialogue launched by Washington last December, Mr Robert Pelletreau, US Ambassador to Tunis, asked Palestinian representatives to give serious consideration to the election idea as a first step towards transitional arrangements and a negotiated settlement with Israel.

US concerns about continuing attempts by radical PLO factions to infiltrate across Israel's border with Lebanon, saying "such activity cannot help but harm efforts to move the peace process forward." Mr Abed Rabbo expressed the PLO's "genuine interest" in a speech by Mr James Baker, US Secretary of State, two weeks ago calling on Israel to forswear the aim of annexing the occupied territories.



Robert Pelletreau (above) in Tunisia yesterday trying to encourage the PLO's 'interest' in James Baker's view.

Ethiopian rebels reject offer of peace talks

By Julian Ozanne in Nairobi

ETHIOPIAN rebels, buoyed by a string of recent victories against the Marxist regime of President Mengistu Haile Mariam, yesterday rejected the government's offer of unconditional peace talks quashing one of the last hopes for a political solution to Africa's oldest civil war. The Tigrya People's Liberation Front, who in March took control of the entire province of Tigrya, ruled out the possibility of talks with the present government until a provisional government was formed consisting of all major opposition movements.

preconditions, in public and in the presence of a mutually agreed independent observer. The proposals mark a serious change of direction on the part of the government who had previously insisted on talks being conducted in private and on the basis of the non-negotiable territorial integrity of Ethiopia. But on Tuesday, at a press conference with Western reporters, President Mengistu reaffirmed the government's traditionally hard line negotiating position. "All of us in Ethiopia ranging from myself down to anybody in the entire leadership is not mandated to negotiate with anybody the secession of any one component of Ethiopia nor its independence. This is not negotiable at all," he said.

Nigeria meets deadline for debt rescheduling

A DELAYED Nigerian agreement with foreign commercial banks to reschedule \$5.4b of debt has come into effect, a Central Bank of Nigeria official said yesterday. Reuter reports from Lagos. Nigeria had delayed a payment in April which meant the original starting date of April 7 had to be put back two months. Mr Shobowale Animashawun, the assistant director for foreign operations, said that all interest arrears have been cleared. He said the agreement, signed in March with Nigeria's creditor banks, known collectively as the London Club, provided for repayment starting in 1992 of around \$2.9bn of medium and long-term debt over 17 years at 7 1/2 per cent above the London Interbank offered rate (Libor). It also covered about \$2.5bn worth of letters of credit over 12 years at 11 per cent above Libor.

Accumulated interest of \$500,000 on the letters of credit, to be paid over three years 1989-91, will carry no further interest if paid on schedule. London bankers said in April that the delay in paying interest due on medium-term debt had endangered the pact. Central bank sources said a delayed payment of \$345.1m went to London Club creditors in April. Mr Animashawun, without specifying amounts, said the final payment required to activate the agreement was made last Monday. He said Nigeria, with a total debt stock of about \$30bn, was satisfied that the terms of the rescheduling were comparable to agreements with other Third World debtors. But present high interest rates were a cause of grave concern. "Today's interest rates have a way of neutralising the gains of rescheduling," he said.

India aims to boost private role in power sector

By David Houssoe in New Delhi

INDIAN government proposals to accelerate private investment in the power generating sector have been broadly welcomed by private industry. The proposals aim to reduce the crippling power shortages in many states. They also reflect a move towards involving the private sector in infrastructure projects from road building to oil exploration which had previously been reserved to the state. Senior government officials outlined the proposals to representatives of industry at meetings in New Delhi this week. The aim was to iron out differences before the plans are fully approved by the cabinet. The proposals would permit licensed private companies to build gas, coal or lignite-based power stations to feed into the public grid. Investors would have to find 20 per cent of the funds from their own resources. They would be allowed to seek a further 40 per cent in loans from state financial institutions and the rest from abroad. The scheme is based on giving investors a 15 per cent return on capital after tax, equivalent to an estimated 22 per cent before tax. Electricity prices are state-administered, but the financial return is based on the generating plants operating at a 63 per cent load factor. It is well above the operating efficiency of most state owned power stations, but well below that of the few private sector plants. Tata Electric achieves a 90 per cent load factor at its plant in Bombay. Potentially large profits, as the private sector sees it, can thus be made by operating the plants above the proposed 63 per cent norm. The private sector's main fear is that it has no guarantee of payment from state governments. In India state electricity boards often make large losses because they are unable to collect payments on electricity bills from customers.

Australian Labor party reopens row over privatisation

By Chris Sherwell in Sydney

KEY ministers in Australia's Labor government have reignited the controversial party debate on privatisation by calling for a full sell-off of its two airlines, Qantas and Australian Airlines. Yesterday Mr Bob Hawke, the Prime Minister, reaffirmed his backing for such action. Pointing to the government's limited spending capacity, he said the hard choices before the party meant it was a matter of "prioritisation" rather than "privatisation." The issue first resurfaced on Sunday when Mr Ralph Willis, Transport Minister, said the government should sell the enterprises entirely. He won immediate public support from senior ministers, but party leftists and trade unionists restated their opposition. Labor declared at its party conference a year ago that it remained committed to full ownership and control of public enterprises, but acknowledged that Qantas, the international carrier, and Australian Airlines, its domestic counterpart, both needed substantial capital injections to remain competitive. Under an awkward compromise, the party proposed over its split by setting up a committee to evaluate all options for meeting the airlines' capital needs. The committee has not yet reported, and any change will still require a decision by a party conference. That could take some months, but Mr Hawke indicated yesterday he wanted the issue resolved before the next election, expected within a year. Adding to the pressure is the ambitious privatisation programme unveiled last month by the opposition Liberal Party. Apart from the airlines, it says it would sell off the Australian satellite television, the Commonwealth Bank, the national shipping line and the Overseas Telecommunications Commission. Privatisation is thus likely to be a significant electoral issue. Mr Hawke said yesterday he "put this issue on the table" and said he would be sad rather than embarrassed if the party "doesn't get its priorities right." Increasing demands were being made on government, to look after the disadvantaged and protect the environment. "If you're going to be able to meet those demands within an acceptable level of taxation, then as I said before, you've got to go through a process of prioritisation," he said. Telecom or Australia Post, he added. But in relation to the airlines, "You have a situation where the public interest is in no way served by the government owning and running airlines." In his view, a "golden share" arrangement would be adequate to meet the public interest requirement that a privatised Qantas not become foreign owned or act against the country's foreign policy.

Vietnam hopes to secure IMF deal

VIETNAM hopes to finalise a tough economic reform package with the International Monetary Fund (IMF) next month that should unlock new funds for the ailing communist state. Reuter reports from Hanoi. Nguyen Cong Hai, deputy director of the foreign department of the State Bank of Vietnam, said in an interview this week he hoped agreement would be reached during an IMF mission to Hanoi in July. It would involve an arrangement for settling Vietnam's

arrears with the bank of about \$135m and IMF approval for radical measures to slash inflation, eliminate subsidies and promote exports in the south-east Asian state. "If we can agree on an economic programme with the IMF, the IMF will help mobilise funds to repay two thirds of the overdue debt. We'll mobilise funds to repay the remaining third," Hai said. "Once this has been done the IMF will give access to more funds," he said. This would also encourage

the World Bank and other international sources of funds such as the Asian Development Bank to provide assistance, he added. He said Vietnam had introduced many of the reforms contained in a package which he hoped could be submitted for IMF approval shortly after the July meetings. An international banker involved in talks on securing new loans for Vietnam but who asked not to be identified said he considered the speed of the reforms "amazing."

Suharto quashes rumours

By John Murray Brown in Jakarta

PRESIDENT Suharto, Indonesia's 68-year-old leader, moved to quash growing public speculation this week that he may step down at the end of his current fifth term in 1993. In unprepared remarks before a recent cabinet meeting, President Suharto attached the Indonesian press for sensationalising the succession issue. He said the next session of the People's Consultative Assembly in 1993 would decide the matter. The President went further in warning his ministers not to be dragged into the debate, which he said merely confused the public. Since seizing power after a failed communist coup in the mid 1960s, President Suharto has stood unopposed in all four elections in the largely hand-picked Assembly.

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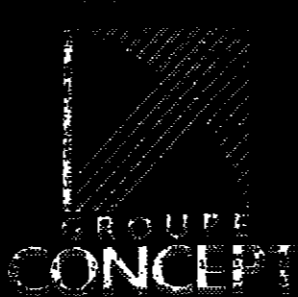
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WORLD TRADE NEWS

US gives Japan July deadline in telecoms row

By Peter Riddell in Washington

THE US has warned Japan it has until July 10 to sort out a dispute over access to its domestic telecommunications market, or else face steps leading to retaliation.

The Bush administration said five weeks ago it would consider sanctions against Japan over an alleged breach of a telecommunications pact under which Motorola claimed unfair restrictions in its access to the Japanese third-party mobile radio and cellular phone market.

Such an early deadline suggests the US wants to resolve the issue quickly before dealing with other issues raised by the naming of certain Japanese trading practices as unfair under the Super 301 provision of last year's Omnibus Trade Act.

The US and Japan will start talks next week on the US initiative to remove structural

rigidities in the Japanese economy restricting imports into the country.

Mrs Carla Hills, US Trade Representative, yesterday told the House Ways and Means international trade subcommittee that talks would begin at sub-Cabinet (official) level next week about Japanese structural impediments to trade.

As part of the general announcement on the Super 301 decision two weeks ago, the US said it wanted to discuss various structural problems in the Japanese economy such as its distribution system, group boycotts and other anti-competitive practices.

In her testimony, Mrs Hills said that while Japan has objected to other US trade complaints under Super 301, Japanese officials have been willing to talk about these complaints outside the framework of the Super 301 action.

US wants subsidy rules in trade-in-services pact

By William Duffin in Geneva

THE US wants rules for export subsidies to construction and engineering companies to be included in any international agreement on the liberalisation of trade in services.

Mr Richard Seitz, US chief negotiator on services, said US contractors, which receive no export credit cover, were at a disadvantage in competing for projects with foreign companies which could count on subsidies even to cover their bidding costs.

The issue is sensitive since European and other countries' contractors rely heavily on government-backed financing when competing for major jobs abroad.

The US position was one of several outlined in Geneva over the past four days as negotiators started to test the applicability to individual services sectors of the underlying principles agreed by trade ministers in December at the mid-term review of the General

Agreement on Tariffs and Trade's Uruguay Round.

This week's talks have focused on telecommunications as well as construction services. An important development has been the general acceptance that the cross-border mobility of labour and capital has to form part of the discussion.

Developing countries see a competitive advantage for their construction and other low-skill, low-wage industries, if they can secure an understanding on the movement of their workers to industrial countries. These now appear to be ready at least to negotiate terms on which contractors from low-wage countries may import labour.

In talks on telecommunications, a consensus appears to be emerging to concentrate initially on the liberalisation of value-added services, such as electronic mail, and on rights of access to networks.

Italian raid nets 'fake' Caterpillar spare parts

By Nick Garnett

ITALIAN police armed with search warrants have raided two Italian parts distribution companies as part of an investigation into the sale of counterfeit parts for equipment made by Caterpillar, the US manufacturer of construction machinery.

The raid on the companies, both of which are based in the Bologna area, follows the discovery of counterfeit parts by Caterpillar officials at the end of last year.

Caterpillar said yesterday that judges were expected to issue an indictment against the two Italian companies alleging that they sold components which illegally carried Caterpillar's name and trademark.

Counterfeit parts were found at both companies, Caterpillar added, and the police were continuing criminal investigations based on documents found at the companies.

The components involved are said to have included air, oil and fuel filters and diesel injector nozzles. They were packaged for sale as genuine Cat parts.

Caterpillar, the world's largest manufacturer of earthmoving machinery, has undertaken a number of investigations recently into the circulation of fake parts.

It currently has suits pending against companies in Brazil, Jordan and Malaysia.

Most of the companies involved in these cases are believed to be both manufacturers and distributors of counterfeit components.

Caterpillar filed a suit against a company in the US five years ago concerning counterfeit fuel nozzles but settled the case out of court.

It has been angered by the latest case in Italy.

"When customers think they are getting Cat quality but instead are paying for a shoddy substitute, their engine and machine performance, and our reputation, suffer," said Mr Rod Page, managing director of Caterpillar's overseas operations.

"We will be even more aggressive in searching out and prosecuting any such activity."

How Turkey forges powerful partnerships

Jim Bodgener in Ankara on the Ozal government's new industrial collaboration

A SERIES of major hydro-electric dams are the latest project deals in Turkey to reach preliminary agreement on the basis of the "build-operate-transfer" (BOT) franchise model developed by the government of Prime Minister Turgut Ozal.

Preliminary agreements already reached for 25 hydro-projects, with 17 in the pipeline, will bring foreign exchange inflows totalling \$2.5bn (£1.5bn), he said recently.

The 25 dams will have a total installed capacity of 1,945 MW, and will generate an annual 6,500 kWh, according to a senior official of the Energy & Natural Resources Ministry. Other agreements are pending - overall, 67 companies have applied for 83 projects.

The main agreements reached this year with foreign-led consortia are:

- A project valued at about DM450m (£181m) in the Of-Baltaci river basin proposed by the local group Mapa with Norendel of Norway;
- A \$200m scheme for the construction of a 120 metre-high dam and 210 MW powerhouse at Konaktepe on the Munzur

river in Tunceli Province. The BOT consortium is formed from West Germany's Billfinger and Berger with Noell, Stone & Webster of the US, Austria's Elin Union, and the local company Soyak.

- A 672 MW dam planned on the Euphrates river at Birecik, expected to cost DM1.27bn. The consortium is formed from West Germany's Philipp Holzmann and Sulzer-Escher Wyss, Belgium's ACEC Energie, and the local group Game.

But to date, no final contract has been signed for a major BOT hydro-electric scheme - nor has it for any of the large BOT projects heralded as bringing a new age in contracting in the developing world through private-sector franchising of the building and operating of major projects.

At a more advanced stage of negotiations are BOT contracts for the Ankara metro, a new terminal at Istanbul's Ataturk airport, and a 1,400 MW power station at Yumurtalik in the south-east. Syndication of commercial credits totalling \$240m for the latter \$1.5bn contract should be completed by mid-summer; negotiations for the \$400m Canadian government

and export credit funding for the metro also reach a crucial stage in June.

However, five smaller hydro-projects have been the first BOT schemes on which construction has actually started, with one nearing completion - a 13 MW scheme on the river Caykay in Isparta province being built by a venture called Aksa.

But after two years, one of the earliest major BOT hydro-projects - a \$206m, 300 MW scheme near Kayseri - has still not progressed much further than a preliminary agreement.

back for alternative proof from the results of other schemes that the BOT model works or is believed to work for hydro-electric stations.

They also maintain there is no difference between the BOT models for hydro and thermal power stations - except that the thermal stations will be located in free trade zones, where the proceeds of power sales will be in foreign currency.

But security for the foreign contractor and financier - which to a large extent, means export credit agencies - in the BOT model comes from substituting a treasury repayment guarantee with a guaranteed minimum of power sales to the state-owned Turkish Electricity Board (TEK). The latter is also normally a large shareholder in the BOT companies set up to finance, build and operate such projects.

The hydro stations, with their incomes in Turkish lira and with output dependent on fluctuating river volumes, might seem more risky propositions than the thermal stations burning imported coal, both in terms of political and economic stability, and under

the threat of drought. But Turkish officials remain confident those fears can be allayed. For example, Turkish lira returns can be indexed to foreign currencies. The risk of drought can be countered either by adjusting tariffs or through direct compensation, depending on the drought's severity.

In addition, a net dividend will be paid on the equity of the BOT company to the members of the consortium. This means proceeds will be calculated on a cost-plus basis. That in turn, including yearly instalments to pay back equity, will be reflected in electricity tariffs.

In fact, the BOT hydro companies will get an added bonus, because the equity instalments will continue at the same rate during payback at the end of the operating period, even though the amount of equity outstanding to be repaid is diminishing.

The plans will then be handed over to the government - after a total operating period of 15 years, for example, for the Konaktepe scheme, and 20 years for the larger Birecik project.

The hydro stations might seem more risky than thermal stations, in terms of economic stability and under the threat of drought.

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Bae wins \$500m order for 100 Jetstream airliners

By Michael Donne in Paris

BRITISH Aerospace has won a \$500m order for up to 100 of its Jetstream twin turbo propeller commuter airliners from AMR Eagle, the US regional airline partner of American Airlines.

The airline is buying 25 of the Super 31 version of the Jetstream, with an option on a further 25, and is placing an option for 50 of the enlarged version, the Jetstream 41. The Jetstream Super 31 seats 19 passengers, while the enlarged version seats up to 29 passengers.

These new orders bring the total of Jetstream aircraft sold by British Aerospace to date to over 300. The order confirms the recent British Aerospace decision to launch the enlarged version of the aircraft, and further ensures production at the Prestwick, Scotland, factory of British Aerospace.

It was also disclosed at the Paris Air Show yesterday that

Bae wins \$500m order for 100 Jetstream airliners

Rolls-Royce is studying the development of a new jet engine for short-haul airliners and business aircraft, in conjunction with the Allison Gas Turbine Division of General Motors of the US.

Designated the RB-580, the engine will have an initial thrust of 7,000 lbs, with potential growth to over 12,000 lbs.

This means that it will have a broad range of potential applications for small jet airliners seating up to between 50 and 80 passengers.

A memorandum of understanding signed between Rolls-Royce and Allison provides for Rolls-Royce to be the prime contractor and also to become responsible for the design and development of the engine, although it will use much of the advanced technology in small aero-engines already developed by Allison in the US.

Daishowa bid to beat 'Greenie' opposition

THE Daishowa paper manufacturing group, in a bid to overcome local environmental concerns, may bleach in Japan the output from two ASB pulp mill projects it is considering for Australia, Chris Sherwell reports from Sydney.

The Japanese company, one of the world's largest paper making groups, runs a wood-chipping export operation in southern New South Wales - itself a target of attacks by local "Greenies".

But it is conducting a pre-feasibility study for a pulp mill in northern New South Wales. It has also responded to a separate call from the Tasmanian government for expressions of interest in another mill.

The Canberra government would prefer the whole process to be conducted in Australia, if acceptable environmental guidelines can be agreed. But that remains the problem.

Ministers 'must decide soon on Kemp Report'

By Stephanie Gray

MINISTERS need to decide quickly on radical changes proposed for the Export Credits Guarantee Department contained in an official report published earlier this week, according to Mr Nigel Bowington, managing director of the Credit Insurance Association.

The report, by Mr Robert Kemp, a former ECGD director, on the authority of Lord Young, Trade and Industry Secretary, recommends that the department's Cardiff-based insurance division be moved off to put it in a better position to compete in the export credit insurance sector after 1992.

The Cardiff office provides commercial risk cover for short-term export credits, mostly to industrial countries, whereas the department's London operation is concerned with insuring long-term credits on capital goods exports, largely to the Third World.

Ministers 'must decide soon on Kemp Report'

Mr Kemp's report says the Cardiff company would initially be owned by the state but, within four or five years, should be ready to accept private sector capital.

Lord Young hopes to have decided on the recommendations in the next four months, a delay which Mr Bowington calls "verging on procrastination".

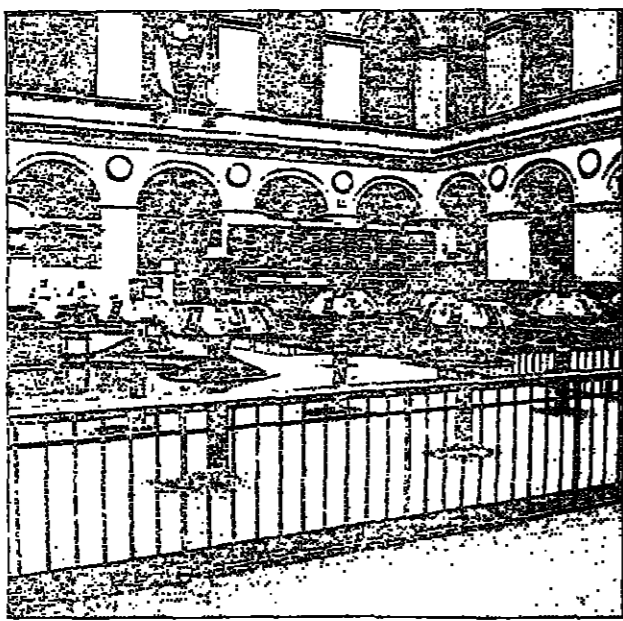
While he agrees broadly with Mr Kemp's recommendations, he argues that ministers need to decide in four or five weeks, and that a joint stock company be set up in two rather than the four-to-five years suggested in the report.

"The market wants a packaging of covers. If Cardiff doesn't get its act together, the big (private) companies like Trade Indemnity, American International Underwriters and Pan Financial will get the business," he says.

Where do powerful ideas in communications come from?

NORTHERN TELECOM

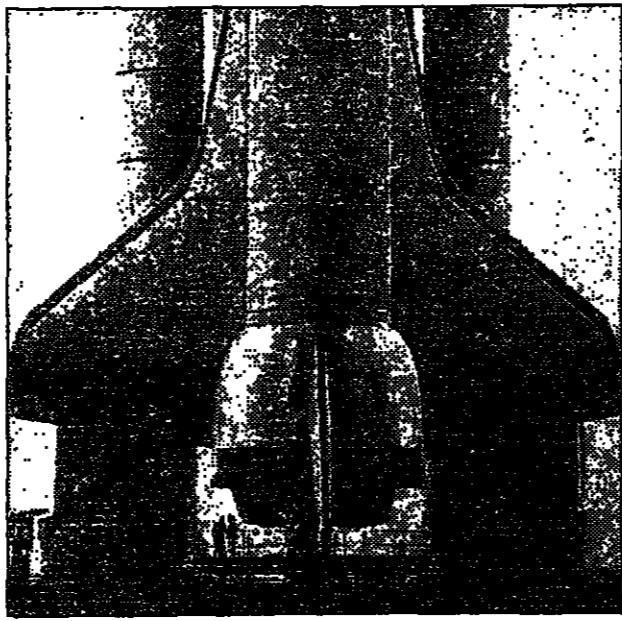
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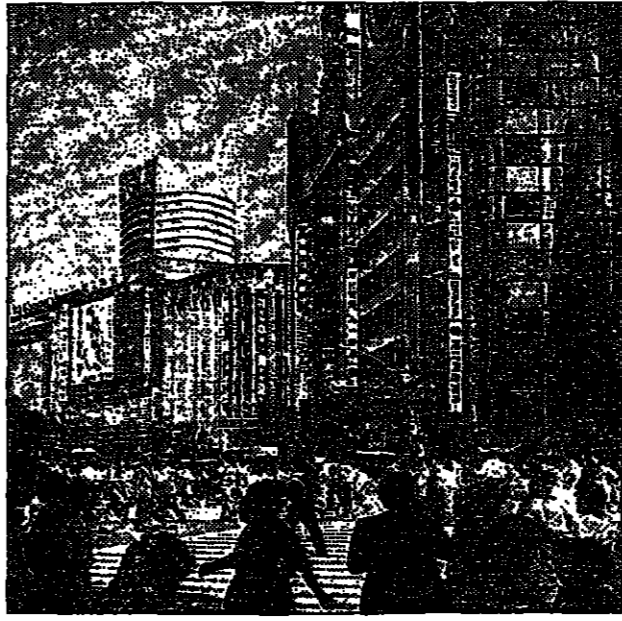
With this system, the brokers, dealers and agents trading on the exchange can give their customers rapid access to accurate and up to date information and maintain constant contact with shareholders, banks and stock markets worldwide.



The thrust behind NASA's data network.

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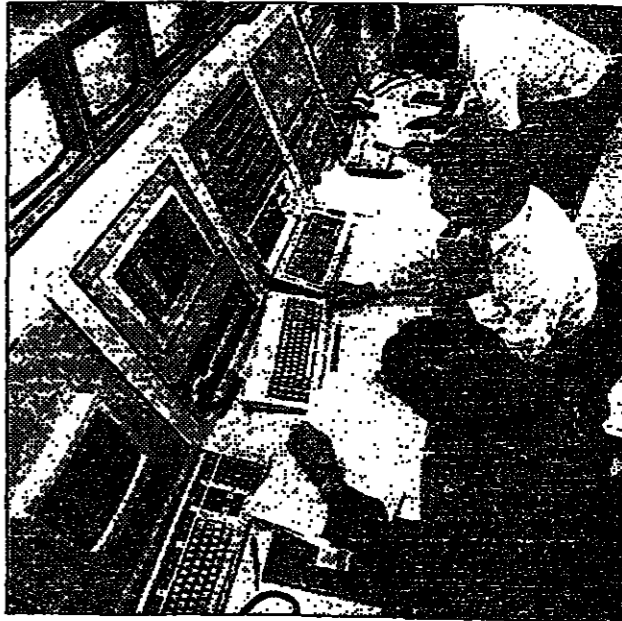
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UK NEWS

CBI/FT DISTRIBUTIVE TRADES SURVEY

Retail sales bounce back to highest since November

By Ralph Atkins, Economics Staff

GROWTH IN UK retail sales rebounded last month, despite high interest rates, to the highest level since November, according to a survey published yesterday.

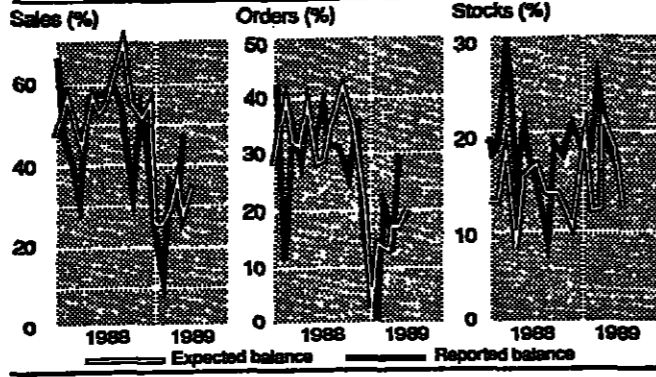
The Confederation of British Industry/Financial Times distributive trades survey showed that decelerating sales growth at the start of the year was reversed in May. It could reflect consumers' readjusting their spending behaviour after the effects of higher mortgage rates have worked through.

However, the CBI said the survey continued to provide firm evidence of a slowing in demand. Last month's exceptionally good weather may have encouraged shoppers, possibly disguising the underlying trend.

Mr Nigel Whitaker, chairman of the survey panel, said: "Retailers selling essential and inexpensive goods have continued to fare relatively well... It is discretionary items - furniture and electrical goods and off-licence sales - which remain the most affected by weakened consumer demand."

The survey showed growth in capital expenditure by retailers looks set to come to a

Retailing



near standstill, suggesting they remain gloom about the long-term outlook. However, expectations about the overall business situation in the next three months recovered slightly.

Department of Trade and Industry figures for retail sales volumes in May are published on Monday. The average of London forecasts is for a small rise compared with April after a 1.4 per cent fall in the previous month.

The CBI/FT survey was conducted between May 15 and

June 2, a period that included the one point rise in base rates to 14 per cent.

It showed motor traders' sales volumes in May were lower than a year earlier and are expected to remain weak in June. Among wholesalers, however, growth in sales volumes picked up in May.

The results show a slowing in import growth as a percentage of retailers' deliveries from suppliers. There was also a moderation in growth in retailers' selling prices, which will help contain inflation.

BT in talks with Alcatel on teletext system

By Terry Dodsworth, Industrial Editor

ALCATEL, the French telecommunications equipment group, is discussing plans for the introduction of the French-designed Minitel teletext system by British Telecom in the UK.

Mr Jean-Michel Lejosne, managing director of Alcatel Business Systems in the UK, said yesterday that BT was "very interested" in the product, and might be close to making a final decision about it.

According to BT, a decision was not imminent, although the company confirmed that it was interested in the Minitel technology.

The Minitel system allows subscribers to gain access to information over the telephone lines using a specially-designed keyboard and screen.

BT does not believe that a UK-based Minitel system would be a direct competitor to Prestel, which has developed a large data base and is used widely by travel agencies and estate agents. The attraction of launching the service would be in generating additional traffic over the telephone lines.

Lawson statement stems London disquiet

By Simon Holberton, Economics Staff

MR NIGEL LAWSON, the Chancellor of the Exchequer, stamped his authority on economic policy in Wednesday's parliamentary debate on the economy, analysts in the City of London said yesterday.

The City had been awash with rumours of a split between the Chancellor and the Prime Minister's advisers at No 10 Downing Street and that changes in monetary policy were being considered.

But Mr Lawson's robust performance in the House of Commons, where he dismissed a return to overfunding, the introduction of monetary base

control or the imposition of credit controls, removed any doubt about who was in control, analysts said.

The Chancellor forcefully restated his view that the manipulation of short-term interest rates was the only workable policy to bear down on inflation. He also stood firm on his belief that the trade deficit would right itself.

Mr Peter Spencer, UK economist at Shearson Lehman Hutton, the US securities house, and an advocate of policy change said: "Most interestingly [his performance] shows just how strong his position is

despite the problems of the past 18 months."

In London prices of both equities and UK Government securities, gilt, rallied strongly after a week of being in the doldrums. Gilt has been particularly depressed by suggestions that the Treasury would revert to over-funding, or not buy back as many gilts as are needed to counteract the effects of the Government's Budget surplus.

Mr John Sheppard, economist at Warburg Securities, the UK securities house, said Mr Lawson "made all the right noises" to allay the markets'

current fears. But overfunding was not a dead issue for the gilt market. "He's dismissed it for now but it does not mean that it's fixed for all time."

Some analysts thought that despite the Chancellor's forthright presentation in the Commons his policy still left sterling vulnerable to selling pressure.

Mr Glenn Davies, economist at Credit Lyonnaise Gilt, said it was disappointing that Mr Lawson was not prepared to consider alternatives. "He has set the pound up by telling us that interest rates will rise if the pound falls."

Woolworth loses tax case on £11.4m Swiss loans

By Richard Waters

WOOLWORTH yesterday lost a court battle for tax relief on a £11.4m loss in a decision which has implications for many companies which borrow in foreign currencies.

The Law Lords ruled that Woolworth's loss, on Swiss franc loans taken out in 1971 and 1972, was a capital item rather than a revenue one, and so could not be set against the company's trading profits.

This ended a prolonged battle which has now seen the Inland Revenue's independent commissioners, the High

Court, the Court of Appeal and the Law Lords overturn each other's decisions in succession.

A discussion paper issued this year could lead eventually to a change in law in this area.

In the meantime, tax advisers said that the Woolworth decision was a step backwards for taxpayers.

Woolworth's £11.4m loss resulted from a fall in the value of sterling against Swiss francs over the five year period of the loans. The company claimed that the loans were not capital in nature.

Figures show British companies setting the pace for 1992

By James Buxton, Scottish Correspondent

LARGE BRITISH companies are ahead of their rivals on the continent in preparing for the planned completion of the single European market in 1992.

Mr John Bamham, director-general of the Confederation of British Industry, the employers' association, claimed yesterday.

He was presenting the results of a survey commissioned by the CBI which showed that three-quarters of the 200 companies surveyed by MORI, the opinion survey organisation, had taken at least some action to prepare for 1992.

A similar survey of 100 companies in continental Europe showed lower rates of action on 1992. Half of those surveyed in France and Spain had taken some action, a third in Italy and only one seventh in West Germany.

In Britain, 52 per cent of the companies had identified new groups of customers on the continent. Some 43 per cent

were undertaking a strategic product review.

Forty-one per cent had formed some sort of alliance with another company in an EC member state. Two companies in five had looked at their distribution strategy, 23 per cent had considered relocation.

Shortage of skills was regarded as more important than problems of infrastructure in hindering British companies' efforts to meet the demands of 1992.

The survey was of British companies with an average turnover of about £50m, two-thirds in manufacturing and one-third in services.

The survey of companies on the continent showed that one-third were looking for a partner in the UK. Britain was generally the second choice as a preferred ally, with French companies looking first to West Germany and West German companies looking first to an alliance with another West German company.



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Computer spending raised 3%

By Alan Cane

BRITISH companies spent an average of £2.8m on computer technology last year and are predicting they will spend over £3m in 1989.

After inflation, the real rise in spending will be only 3 per cent, but the figures, taken from the annual Price Waterhouse Information Technology review published yesterday, suggest that the cap on investment in information technology has been lifted.

It goes on to question whether the 1988 upturn and the predicted increase for 1989 represent a return to the days when companies constantly ran short of computer capacity and were forced to spend money to make up the deficit, or whether the new controls are working and the increased spend reflects value for money.

The Price Waterhouse survey, now in its tenth year, collates the views of some 750 data processing managers across UK industry.

The survey shows also that the question of how best to integrate information technology strategy planning with business strategy planning is now the data processing manager's greatest headache, displacing the problem of bringing computer projects in on time and budget.

Sharp rise in tourist figures

By David Churchill

THE BUOYANCY of Britain's tourist industry was confirmed yesterday by official figures showing a sharp increase in the number of overseas visitors to Britain in the first quarter of this year.

The Department of Employment said that overseas visitor numbers in the first quarter of this year rose by 30 per cent to 3.3m in comparison with the same period last year.

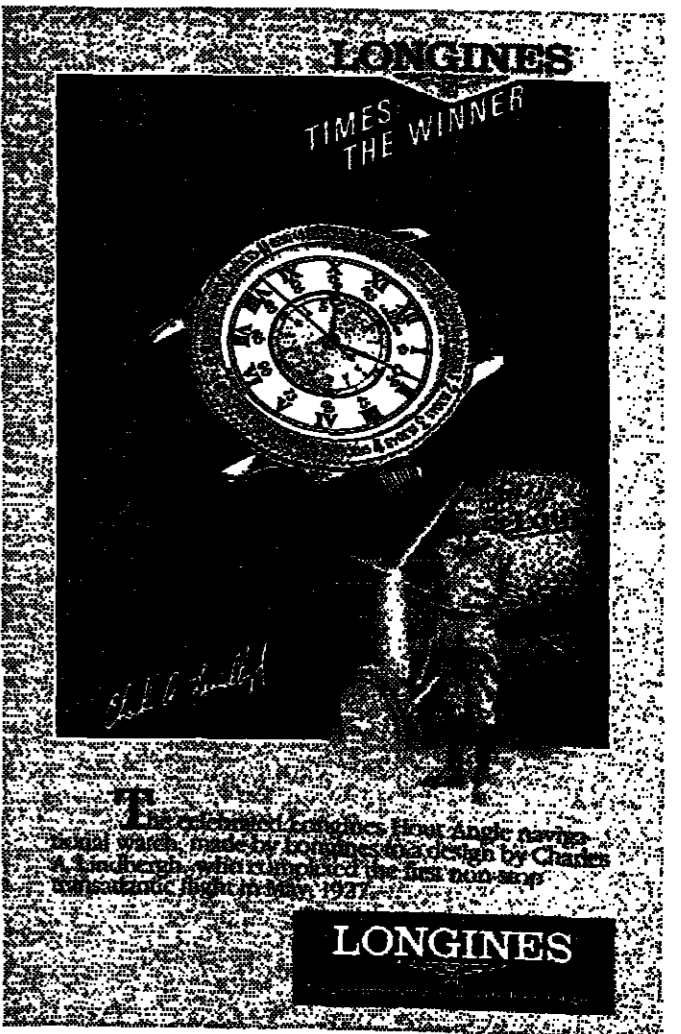
In March the increase was 38 per cent, to 1.3m, in comparison with March last year.

Mr John Lee, Minister for Tourism, said yesterday that "while some of the increase in overseas visitors was undoubtedly due to heavy traffic over an early Easter, I am optimistic about the underlying trends."

Mr Duncan Black, chairman of the British Tourist Authority, said that "this very sound start means Britain is poised for an excellent tourism year."

In the first quarter of this year, the number of British residents going abroad increased by 15 per cent to 5.2m.

The balance of trade on travel, however, is still in deficit. Spending overseas by British residents in the first three months of this year totalled £1.515bn.



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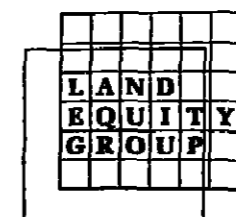
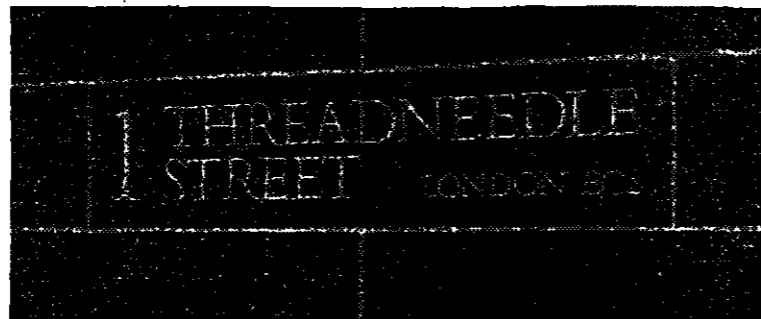
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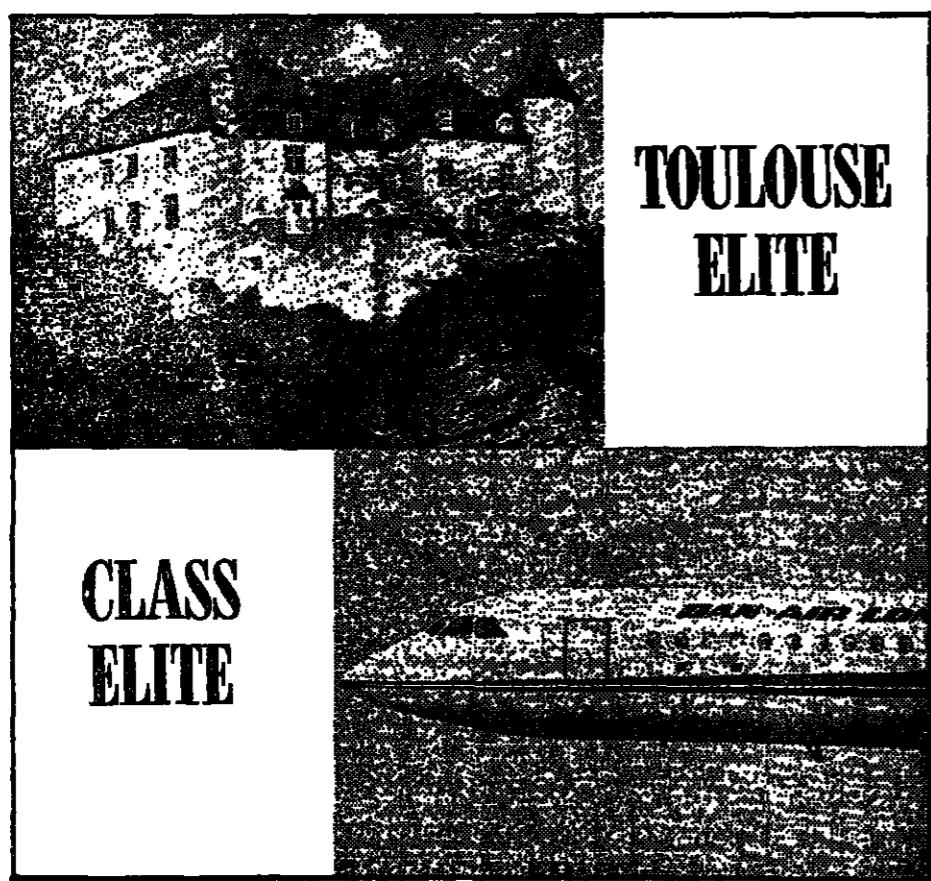
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Thousands defy union in wildcat ports strike

By Jimmy Burns and Fiona Thompson

BRITAIN'S ports were hit by unofficial strike action yesterday as thousands of dockers walked out in protest at Thursday's court order banning the Transport and General Workers' Union from implementing a national docks strike.

Meanwhile, port employers indicated last night that they would await the outcome of mass meetings planned around the country between today and Sunday before deciding whether to take further legal action against the main strike leaders.

The docks dispute has reached a crucial stage in recent weeks, following the

Government's decision in April to abolish the Dock Labour Scheme which regulates terms and conditions of employment in most of Britain's ports.

Some employers have indicated that they are prepared to seek High Court injunctions against shop stewards who in some ports openly instigated yesterday's action and then sue them for damages. But others are reluctant to take a move which they believe might unnecessarily escalate the dispute.

Sharp divisions within the TGWU over what steps to take next in the docks dispute surfaced yesterday as a quarter of

Britain's 9,400 registered dockers joined in the unofficial action. They ignored a plea from Mr Ron Todd, the union's general secretary, to continue working normally and await the outcome of the union's appeal next week to the House of Lords, Britain's highest court of appeal.

In Tilbury, outside London and Britain's largest port, 650 dockers in the grain and conventional cargo sections walked out yesterday, and are expected to be followed today by another 300 dockers from the main container terminal.

TGWU shop stewards, who on Thursday angrily walked

out of the Court of Appeal, said they could see little alternative but to carry on with an indefinite, unofficial strike against the abolition of the Dock Labour Scheme.

Tilbury port handles 28m tonnes of cargo annually, equivalent to more than 15 per cent of the total tonnage which passes through the 64 ports registered under the scheme. Those ports also handle 70 per cent of the country's overseas trade. The scheme ensures that manning levels can be reduced only through voluntary redundancy. Dockers who are laid off must be found alternative employment.

Liverpool was the second-largest port affected by yesterday's unofficial action where 1,000 dockers walked out after a strong attack on the inflexibility by local shop stewards. Liverpool handles 7.3m tonnes of cargo annually.

The National Association of Port Employers said last night that the majority of port employers had expected trouble today and had taken steps to protect their customers from the disruptions. During the last week, cargo has been increasingly diverted to foreign ports for trans-shipment, with trade also moving in and out of ports not covered by the scheme.

Cautious Todd ducks employers' barbs

By Jimmy Burns, Labour staff

EMPLOYERS seeking an easy target in the dock dispute are hard-pressed to know what to do when it comes to Mr Ron Todd, general secretary of the TGWU transport union.

Mr Todd may be a committed trade unionist but he is no Arthur Scargill (the controversial leader of the National Union of Mineworkers). The TGWU leader's defence of the blue book in the debate over Ford's plans for a new plant in Dundee and his less passionate attack last year on the modernising tendencies of Mr Kinnoch's Labour Party have earned him something of a reputation as an unreconstructed trade unionist. But he is not a political fundamentalist, and would never call out the barricades in an attempt to overturn the Government.

Some employers predicted that the Government's decision on April 6 to abolish the Dock Labour Scheme would have Mr Todd jumping at the chance to call dockers out. Instead, he clashed with dockers' leaders and insisted - in a position confirmed yesterday - that no action should be taken until legal proceedings had been exhausted and employers had been given another chance to agree to negotiate a new national agreement.

Mr Todd has always insisted that his call for talks is not a cynical ploy simply aimed at



Todd: by the book

escaping sequestration. He is thought to share the views of senior Labour Party officials that a legal docks strike cannot be won easily.

Yesterday's walk-out by dockers, in defiance of official union policy, has brought to the surface the difficulties Mr Todd faces in keeping a steady hand on the helm. The surprise Court of Appeal decision on Wednesday has the TGWU's union structure straining like a ship in turbulent seas.

The man most closely involved in the union hierarchy with the docks dispute,

Timetable of the docks dispute

- May 29 1988: National Association of Port Employers warns of risk of financial collapse.
- March 8 1988: John Connolly, TGWU national docks officer says any attempt to scrap the DLS will be met with a national docks strike.
- March 11 1988: Patrick Nicholls, Under Secretary for Employment stresses in the House of Commons that there are no plans to abolish or amend the DLS.
- November 17 1988: Report by Centre for Policy Studies, the free-market research group, predicts that any national docks strike would be "short-lived" and would "crumble."
- March 16 1988: Mr Ken Cooper, chairman of NAPE says he believes majority of registered dock workers realise that the DLS is "irrelevant."
- April 6 1988: Government announces it is abolishing the DLS.
- April 7 1988: More than 2,000 dockers in ports around Britain stage spontaneous walk-outs.
- April 10 1988: Dockers' leaders pull back from calling a national strike ballot to consider in more detail the legal, financial and tactical implications of a stoppage.
- April 11 1988: Dockers' leaders back strike ballot. But Ron Todd, TGWU general secretary, urges negotiations with port employers.
- April 12 1988: Neil Kinnoch, Labour Party leader, backs call for negotiations.
- April 14 1988: TGWU national executive agrees to seek talks.
- April 15 1988: Talks break down after port employers refuse to negotiate a new national agreement.
- April 19 1988: Port employers refuse to take the dispute to Acas, the conciliation service.
- April 20 1988: TGWU announces strike ballot.
- May 8 1988: Port employers begin legal proceedings to have threatened strike declared unlawful.
- May 12 1988: TGWU says it will hold off from any strike until legal proceedings end.
- May 19 1988: Results of ballot show registered dockers 3-1 in favour of strike.
- May 24 1988: Todd says prepared to make concessions if port employers agree to a new national accord.
- May 27 1988: High Court judge says existence of major difference between two sides is bargainable and restorable.
- June 7 1988: Court of Appeal grants port employers an injunction banning TGWU from carrying out national strike.
- June 8 1988: Unofficial action in Liverpool, Bristol, Lowestoft and London.

after Mr Todd, is Mr John Connolly, the national docks secretary. Like his general secretary, Mr Connolly likes to abide by the rule book. His style is also unambitious by the standards of other union leaders are accused.

The problem for both men is that the Government has picked an emotionally-charged year in which to move against the Dock Labour Scheme. This year is the centenary anniversary of the Great Dock Strike which the British Labour Movement considers one of its most famous victories.

In 1888 East London dockers went out on strike and won improved pay and conditions. The dockers' union was formed soon afterwards, forming the core of the TGWU when it was created in 1922.

Many of the more militant dockers believe that the union has mistakenly put its trust in what they see essentially as government-backed legislation biased against trade unions.

Militancy is still at the heart of the dockers' movement. But voluntary redundancies since 1972 have cut the registered workforce from 41,000 to 9,400.

The Government's current legislation banning sympathy action and mass picketing may also mitigate against a lengthy and successful docks strike.

Not least of Mr Todd's problems is the fact that time is running out. Under trade union legislation the TGWU's national docks strike ballot mandate expires in one week's time. Beyond that, Mr Todd's bargaining position stands to be further weakened once the National Docks Scheme is finally removed from the statute books on July 15.

Plan to help syndicate rejected

By Nick Bunker

LOYD'S of London yesterday brushed aside plans to ease the plight of 1800 members of the Outwaite marine syndicate who face insurance losses of at least £30m.

Mr Alan Lord, Lloyd's chief executive, the plan to limit their liabilities would have broken the rule that market members are liable for their own losses.

In the Outwaite affair, 1800 people who belonged in 1983 to syndicate 317/661 face huge asbestos and pollution-related claims from the US.

Mr Peter Nutting, chairman of a committee representing 500 Outwaite members, said he will meet legal counsel to see if the Names have grounds to refuse to pay £64m cash which Lloyd's says they must pay to the syndicate's reserves.

Mr Nutting said: "I am just so bored with all the pompous prattle about unlimited personal liability."

"Insurance is a risk business," Mr Lord said. "If we cap this loss, then the principles of each for himself, of unlimited liability, will have gone by the board."

Lloyd's said eight independent outsiders who sit on the council will help resolve disputes involving the Outwaite syndicate.

Shorts aid awaits EC approval

By William Dawkins in Brussels

THE Government will seek European Commission clearance in the next few days for £780m of state aid to Short Brothers, the state-owned aircraft maker.

Belfast-based Shorts has been offered the subsidy in two equal £390m slabs, a debt write-off and a grant, but cannot legally receive it until the Brussels authorities agree.

The aid is part of the deal under which Bombardier Group, the Canadian aerospace and transport company, is buying Shorts for £30m.

Brussels cleared a three-month £390m government

bridging loan for Shorts last March to keep it solvent while restructuring plans were prepared.

The UK Government is now planning to write off that debt and inject another £390m for research and development. UK officials are finalising their formal notification to Brussels.

The Commission has the power to block any state aids likely to give beneficiaries an unfair advantage over European competitors.

Officials said that in this case they would be taking other criteria into account, such as the strategic impor-

tance of the aircraft industry and high unemployment in Northern Ireland, where Shorts is the largest manufacturing employer, with a workforce of 7,700.

The Commission agreed last March to let the West German Government provide up to DM5.5bn (£1.1bn) to help Daimler-Benz, the country's largest car maker, buy a stake in the Messerschmitt-Bölkow-Blom (MBB) aerospace group. MBB's participation in the Airbus consortium, of which Shorts is not a member, was an important factor in the Commission's decision.

In Brief £200m deal to provide power for Chunnel

Balfour Beatty Power, a subsidiary of BICC, and its French joint venture partner, Spie Batignolles, have been awarded the £200m contract to provide electric power systems for the Channel Tunnel.

BICC said that the most of the equipment would be made by the two companies, though some of it would be sub-contracted to other suppliers. Balfour Beatty and Spie Batignolles have an equal share in the contract.

TV franchises to go to highest bidder

By Raymond Snoddy

THE GOVERNMENT has decided to push ahead with highest bid auctions for future commercial television franchises despite widespread opposition from the British television industry.

The decision was taken earlier this week by a Cabinet committee chaired by Prime Minister Margaret Thatcher.

The acceptance of highest bids for the 16-year licences, which will run from 1993, will be combined with a strong "quality threshold" that potential bidders will have to cross before being allowed to take part in the auction.

In the first round, applicants will have to spell out their proposed programme schedules in detail and explain how they are going to be produced.

The Government decision yesterday is plans to launch a second 16-channel television satellite in October 1990.

That could mean that owners of Astra satellite TV dishes in the UK and other parts of Western Europe would be able to receive up to 32 television channels.

Backers of SES include Luxembourg financial institutions and three British ITV companies, led by Thames Television.

highest bidder would damage greatly both the quality and range of programmes.

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Vauxhall to spend £50m
Vauxhall, UK subsidiary of General Motors of the US, is to spend about £50m to redevelop a large part of its main Luton site over the next two years.

Lead free petrol gaining
Lead free petrol is continuing to take a greater share of the motor spirit market, the Department of Energy said. In May, lead-free blends rose to 20 per cent of petrol sales, from 15 per cent in April.

BBC strike warning
Broadcasting union leaders warned of escalating industrial action at the BBC, after the unions staged a seven-hour strike from 5 pm in protest at the corporation's imposition of a 7 per cent pay offer.

Government go-ahead for controversial development

By Paul Chesseright, Property Correspondent

MR NICHOLAS RIDLEY, the Environment Secretary, yesterday sought to end London's most bitterly contested planning dispute for a generation when he gave permission for a new office building in the heart of the City of London's conservation area.

The decision gave Mr Peter Palmbo, the private developer and since last April chairman of the Arts Council, what he has been seeking for 31 years. He has the right to demolish 13 Victorian buildings, eight of them listed, and replace them with new offices designed by James Stirling.

The site, called Number One Poiltry, is on Mansion House square, the historic centre of the City, close to the Bank of England and facing the Royal Exchange.

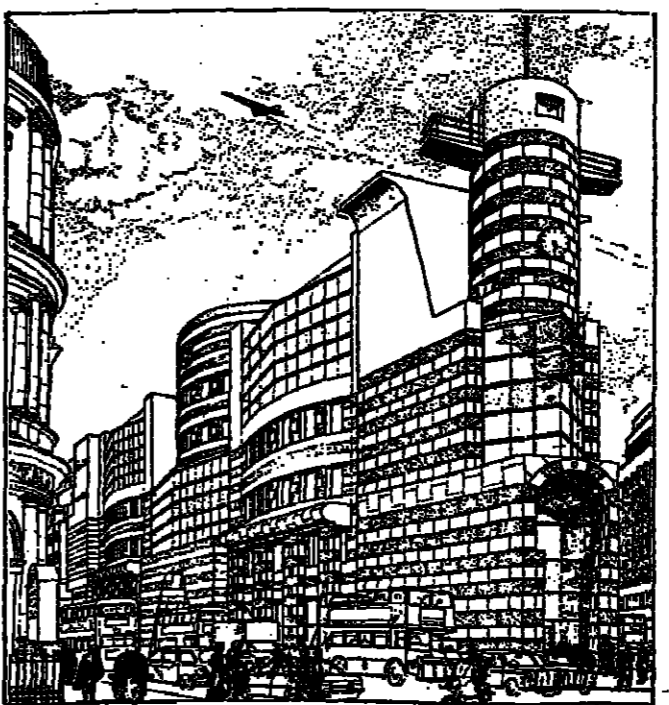
Prince Charles called Mr Pal-

umbo's first plans for the site "a giant glass stump" and the Stirling design "a 1930s wireless".

Argument has ranged over the respective merits of conservation and development, from the criteria for pulling down listed buildings to the quality of 20th century architecture.

English Heritage, the state organisation responsible for the care of historic buildings and monuments said it was a sad day when modern architects have to destroy the good work of their predecessors.

SAVE Britain's Heritage, the pressure group defending threatened buildings, has called its lawyers into see whether there is case to take to the High Court on the grounds that the decision might flout the City of London's statutory planning policy.



SIB to tighten system
The Securities and Investments Board, the chief investor protection agency, is to overhaul the system for handling complaints from the public about investment firms and regulatory bodies.

240 jobs cut
Standard Chartered, the UK banking group, confirmed that the loss of 240 jobs in its London head office as part of a management restructuring exercise.

Dash dies aged 82
Jack Dash, the London communist and orator famous for his leading role in the strikes which plagued the capital's docks between 1945 and 1970, has died aged 82.

FT LAW REPORTS

Partner in Jersey firm is exempt UK tax liability

PADMORE v INLAND REVENUE COMMISSIONERS Court of Appeal (Lord Justice Fox, Lord Justice Stocker and Lord Justice Staughton): May 19 1989

A UK resident who is a partner in a Jersey-controlled firm is not subject to UK tax on his share of the partnership profits.

The Court of Appeal so held when dismissing an appeal by the Inland Revenue from Mr Justice Gibson's decision that Mr Maurice Padmore, a partner in Computer Patent Annuities ("CPA"), was not subject to tax on his share of partnership profits.

Paragraph 3(2) of the United Kingdom/Jersey Double Taxation Arrangement 1962 (SI 1962 1216) provides: "The industrial or commercial profits of a Jersey enterprise shall not be subject to UK tax unless the enterprise is engaged in trade or business in the UK through a permanent establishment situated there".

LORD JUSTICE FOX said that Mr Padmore claimed relief from income tax on his share of the profits of CPA, a partnership providing a world-wide patent renewal service.

CPA was established in 1969 in Jersey. There were about 140 partners. The majority were resident in the UK and were partners or employees in firms of patent agents.

CPA's business had always been carried on in Jersey. It was not disputed that its con-

trol and management were carried on outside the UK.

Mr Padmore had been a CPA partner since February 1976. He was resident in the UK. His claim for relief was based on paragraph 3(2) of the UK/Jersey Double Taxation Arrangement 1962, which provided that the profits of "a Jersey enterprise" were not subject to UK tax unless it was engaged in business in the UK through a permanent establishment.

Paragraph 2(1)(h) of the Arrangement defined "Jersey enterprise" as "an industrial or commercial enterprise or undertaking carried on by a resident of Jersey". By paragraph 2(1)(i) a "resident of Jersey" meant any "person" resident in Jersey for Jersey tax purposes, and not resident in the UK for UK tax purposes.

Paragraph 2(1)(k) provided that "person" included "any body or persons, corporate or not corporate".

Mr Padmore's claim for relief was rejected by the Revenue. A special commissioner disagreed with his appeal, and successfully to Mr Justice Peter Gibson. The Crown now appealed.

In English law a partnership was not a legal entity (see *Szardar v Whitman* (1910) 1 KB 269). It was not disputed that Jersey law also treated a partnership as not having a legal personality.

assessed to trading profits on the partners jointly and the tax was separate from any other tax chargeable to them (see section 153 of the Income and Corporation Taxes Act 1970 and article 74(1) of the Income Tax (Jersey) Law 1961 as amended).

By section 153(1) of the 1970 Act, where the trade or business was controlled abroad it was deemed to be carried on by persons resident outside the UK, and the partnership was deemed to reside outside the UK even though some partners were resident in the UK and some of its trading went on inside the UK.

There was a distinction between (1) UK tax liability of a business controlled and managed abroad receiving profits from UK activities, which depended on whether the foreign undertaking conducted a business in the UK, and (2) the liability of a UK resident who received income from a business carried on abroad, which did not depend on whether the foreign undertaking carried on business in the UK.

It was the Crown's case that article 3(2) of the Arrangement was concerned solely with liability under (1) and had no application where profits were outside the ambit of UK tax, so there was no subject matter to which the article (3) exemption could apply.

Mr Padmore contended that his share of the profits fell within "the industrial or commercial profits of a Jersey

enterprise". The first issue was whether CPA was a "person" or "body of persons" within the Arrangement.

The Crown accepted that CPA carried on an industrial or commercial undertaking and that the profits were commercial profits, but it asserted that CPA was not a person or body of persons.

It was submitted for Mr Padmore that a partnership was a body of persons and was therefore within the definition in article 2(1)(k).

The Crown contended that "body of persons" was a term of art in UK law and was defined in section 536(5) of the 1970 Act as "any body politic corporate or collegiate and any company, fraternity, fellowship and society of persons, whether corporate or not corporate". The Jersey Law had a provision in the same terms.

A partnership could not be brought within any of the groups specified in the definition. However, the definition was not applicable.

If the draftsman of the Arrangement was assuming that the statutory definition of "body of persons" would apply, there was no reason why he should have added "corporate or not corporate" in article 2(1)(k). It indicated a contrary intention.

A partnership was, as a matter of ordinary use of English, plainly a body of persons. The

language used by the draftsman did not indicate he was intending a different meaning.

It was highly improbable that so common a vehicle for commercial activity as a partnership should have been intended to be excluded from an Arrangement which was dealing with the taxation of profits of a commercial enterprise and was not restricted to companies.

The next question was whether CPA was a body of persons which was resident in Jersey for Jersey tax purposes, but not resident in the UK for UK tax purposes.

If a partnership was within the Arrangement it was unlikely the Arrangement did not apply to partnerships made up of "mixed" residence. It seemed inherently unlikely that the only partnerships which were intended to be "Jersey industrial or commercial enterprises" were those with partners drawn from the small population of Jersey.

Section 153(2) of the 1970 Act and article 76(2) of the Jersey Law imposed taxation in a particular manner by reference to residence abroad. If management and control were abroad, the reasonable inference was that Jersey law did attach tax consequences to the residence of a partnership, and that a partnership which was managed and controlled in Jersey was resident there for Jersey tax law purposes.

The remaining question was whether article 3(2) applied to

a UK resident partner's share in the profits of a Jersey controlled partnership.

The Crown contended that article 3(2) was concerned solely with exempting the profits of the "Jersey enterprise" from UK tax, and had nothing to do with the share of profits received by a UK partner. It said the article related to "the industrial or commercial profits of a Jersey enterprise", which meant the whole of the profits, not a share.

The appeal was dismissed.

LORD JUSTICE STOCKER agreed.

LORD JUSTICE STAUGHTON also agreed that in the case of a domestic partnership all partners could claim the reliefs appropriate to their personal circumstances. That demonstrated that although tax was assessed in the name of a partnership, it was in truth charged on the individuals who comprised it.

It followed that article 3(2) of the Arrangement, when it provided that the profits of a Jersey enterprise should be exempt from UK tax, meant that the members of the partnership should be exempt from the liability which would otherwise fall on them.

That must apply to Mr Padmore as it did to the non-resident members.

Rachel Davies

Barrister

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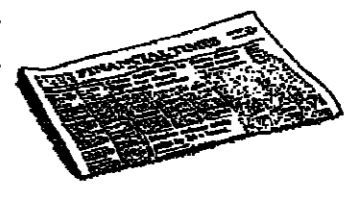
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ECONOMIC ACTIVITY: Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales volume (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

Table with columns: Year, Ind. prod., Eng. output, Retail vol., Unemp., Vacancies. Rows for 1988 (1st qtr to April) and 1989 (1st qtr to April).

OUTPUT: By market sector: consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacturing, textiles, leather and clothing (1985=100); housing starts (000s); monthly averages.

Table with columns: Consumer goods, Invest. goods, Interm. goods, Eng. output, Metal mfg., Textiles, Houng. starts. Rows for 1988 (1st qtr to December) and 1989 (1st qtr to April).

EXTERNAL TRADE: Indices of export and import volumes (1985=100); value balance current balance (£bn); all balance (£bn); terms of trade (1985=100); official reserves.

Table with columns: Export volume, Import volume, Value balance, Current balance, O/E balance, Terms trade, Reserve US\$bn. Rows for 1988 (1st qtr to December) and 1989 (1st qtr to April).

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Table with columns: M0, M1, M3, Bank borrowing, Bank lending, Consumer credit, Base rate. Rows for 1988 (1st qtr to April) and 1989 (1st qtr to April).

INFLATION: Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices (1985=100); Retailer commodity index (Sept 1951=100); trade weighted value of sterling (1975=100).

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MANAGEMENT

Car assembly

Why Volvo is planning to go back to the future

The Swedish group has again broken with current practice, reports Robert Taylor

Volvo claims that its new assembly plant at Uddevalla in south-west Sweden represents a breakthrough in auto manufacture that will shake up the world motor industry.

"We are saying farewell to the traditional assembly line," asserts the company's car division president, Roger Holthack. "I hope that one day in the future somebody will be able to stand here and say 'Henry Ford invented the assembly line but Volvo did away with it in a profitable way'."

The company hopes that the Uddevalla plant, which started full production last August, will have proved itself within five years; for the moment, though, it can only hope, wait and welcome admiring and incredulous visitors. At this point no profit target has been set but the company believes it will break even at Uddevalla in the early 1990s.

What Volvo is doing is to challenge many of the fundamental assumptions that have dominated managerial thought about mass production since the beginning of the century and return car manufacture to the made by hand in teams approach that existed before Henry Ford's assembly line method began in 1914.

Mass production for the car worker meant simple, repetitive and unskilled tasks to perform under strict time controls. "The car builders lost the holistic view of production," declares Holthack.

Volvo was a comparative latecomer to the Ford-style assembly line. Although the company was established in 1926, it was not until 1963 that the assembly line technique was introduced into its plants in Sweden and in the restive 1960s it produced high absenteeism and labour turnover without improved productivity.

As a result, in the early 1970s the company's new chief executive Fehr Gyllenhammar decided to try and move the production system away from the Ford assembly line approach by making the work more interesting and attractive.

The result was the Kalmar plant, opened in 1974 and based on a work team approach with computer-guided carriers bringing supplies to the decentralised assembly points. This has brought lower absenteeism and labour turnover and the plant now makes a profit.

Uddevalla is a genuine advance on the Kalmar system. In Holthack's words, it represents a return to the old pre-Ford method that enhances the role of the car worker as craftsman.

"Before 1914 auto workers were all-round, skilful mechanics who worked in small groups of six or seven and together they built an entire car in one and the same place," says Holthack. "Most of them were well-trained and experienced craftsmen, who felt professional pride and dignity and identified deeply with their work."

Holthack argues that the Uddevalla plant is going back to the "old well-proven system of apprentice and master craftsman" - but with a difference. It is utilising today's high technology in engineering and the computer sciences to "build the best foundation for creating true friendship and co-operation."

"It is people who create quality, not technology alone," says Holthack. "A robot does a good job only if correctly programmed by humans."

At Uddevalla the workers are grouped in teams of eight to ten in six product plants. They are autonomous teams responsible for the complete assembly of the car, for the volume of output as well as the quality control.

Currently 900 units of the Volvo 740 range for the Nordic market are being produced each week at Uddevalla. The company hopes to reach a production goal of 10,000 cars in 1989, reaching the full plant capacity of 40,000 by 1991. Volvo sets monthly and annual production targets for the plant.

The teams, 40 per cent made up of women, assemble the car in a stationary position - not on a moving line. The time for each stage of assembly amounts to an hour, more if it is felt necessary.

The actual number assembled each day is decided by the team at the start of the working week. There is a low level of mechanisation in the process. To the surprise of a contingent of visiting Japanese journalists, the assembly area has no robots at work. As much as 80 per cent of the work is carried out by workers standing upright - thanks to the introduction of a device that enables the car body to be tilted at different angles of up to 90 degrees.

Special hand-tools, ergonomically designed for women, have been introduced.

What strikes the observer at the Uddevalla plant is the very low decibel noise level as well as the sophisticated ventilation, the lack of dirt and smells, the use of natural light and stress-free colour designs on the walls.

As Karlberg points out, the company is making a big investment in training the teams. There is an initial 16-week initiation course, the first stage of a 16-month development programme. The hope is that each worker will learn how to perform the tasks required for a quarter of the car his or her team assembles. There are no supervisors or foremen.

The teams choose co-ordinators in rotation and there is a manager in ultimate charge of each product plant. But the workers are expected to shoulder a wide range of functions. Ideally the company would like to turn the job of the car worker from being a very limited one into a more creative occupation.

Through the stimulus of team spirit and delegation of power, Volvo aims to make auto production more challenging. In order to do that the company must keep labour turnover and absenteeism at a



Special hand-tools, ergonomically designed for women assembly workers, have been made available at Volvo

though this will only be paid out when the teams can meet the quality, productivity and delivery targets they set themselves each week in order to meet the company's monthly target figure.

The Uddevalla experiment has been made possible by the Swedish spirit of consensus inherent in both the company and the trade unions. From start to finish the plant was planned and designed through a co-operative effort between the Metalworkers union in particular and the management.

It began when the ruling Social Democrats, Volvo and the unions agreed on a SKR1.2bn package to replace the unproductive state-owned shipyard in the town with a new car assembly plant.

In Sweden industrial democracy is not a fiction but a reality. This is why the union officials and workers are as enthusiastic about the new system as are the company executives.

Of course, it is the conciliatory business climate in Sweden that enables such experiments as that at Uddevalla even to be attempted, though nobody doubts that for Volvo it was also a shrewd commercial deal since the lion's share of the initial cost of establishing the enterprise came from the

Swedish taxpayer. It is fashionable nowadays to talk vaguely about the post-industrial society and the vanishing proletariat. Yet Volvo, along with other Swedish manufacturing companies, is defying the conventional wisdom.

Other auto companies might believe their future lies in using cheap, unskilled labour in Third World countries to build volume by moving assembly line methods. But Volvo thinks that there is a market for a high quality, hand-made car which is built in a humane way to the latest environmental standards. The product will be more expensive but it reckons there may be more affluent people in the 1990s ready to buy it.

The Gyllenhammar philosophy attracts widespread scepticism, even derision, and there is bound to be serious doubt about Uddevalla until it can be seen to be a financially viable enterprise.

Yet if he can pioneer a system of production that exploits technology in the interests of those who work at Volvo as well as those who buy its cars, and which does produce a profit, then what is happening today in Uddevalla could become a model for the future elsewhere in the auto industry.

A convoluted path to non-unionism

By Charles Leadbeater

There is a simple story of the future of trade unionism in the UK which goes like this. Changes in industrial structure, the location of industry, employment growth and employer policies are weakening unions and promoting non-unionism among women working in the service sector.

Non-union employers are introducing increasingly sophisticated employee relations policies to motivate employees, win their loyalty and ward off unions. Non-union companies are more innovative, productive and competitive because of the flexibility of not having to bargain with unions.

As a result non-union companies are exerting considerable competitive pressure on their unionised counterparts, which will lead to a further weakening of union influence and power.

This story, based on a simple distinction between unionised and non-unionised companies, has a ring of truth to it. Unions are weaker than they were.

But does this amount to the threat of a continual growth in non-unionism which could leave the UK unions in the position of their US counterparts, representing less than 20 per cent of the workforce?

A recent report by analysts at Leicester and Kingston Polytechnics' Business Schools suggests that the likely outcome is at the very least more complex.

The line between the unionised and the non-unionised company is far from clearly drawn. Thus many unionised companies such as Ford have significant pockets of non-unionism within them.

Some other companies have made moves to de-recognise unions for middle managers and supervisors. In some, de-recognition has taken place at only some sites within multi-plant companies. Thus moves towards non-unionism do not necessarily encompass all workers. They may also touch only some aspects of collective bargaining.

The annual report of Acas, the government conciliation service, noted that there was a small but significant trend towards employers introducing individual performance-related pay schemes to circumscribe

the role of collective, union negotiations over pay. Imposition and consultation are in many companies replacing formal negotiations.

The report suggests that the depth of union de-recognition may also be limited. Unions may be de-recognised from bargaining over some issues such as pay, but may retain negotiating and representation rights over issues such as discipline.

The growth of non-unionism is not a simple transfer from a completely unionised company to a completely de-unionised one. It is a much more subtle process, seeping gradually through unionised companies on several fronts.

Not all non-union employers develop sophisticated individualised approaches to employee relations. Many non-union Japanese companies retain quite collective systems of employee relations, involving teamworking, quality circles and company councils.

The report suggests that many smaller non-unionised companies have very straightforward, hire and fire approaches to their employees.

There is no one type of non-union company. The employee relations systems they develop will depend on whether they are large or small, North American or Japanese, use sophisticated production processes to compete in international markets or labour intensive production for low value-added domestic markets.

All this suggests that a simple dichotomy between unionised and non-unionised companies will not capture the subtlety and complexity of the change which is undoubtedly sweeping through British industrial relations. For most unions, as yet, the main threat is not de-recognition but gradual marginalisation.

Thus within many unionised companies a new division of labour is emerging within industrial relations management, between a unionised component, where change is subject to joint regulation, and a non-union component, where managers have much freer reign.

Non-unionism and the Non-union Firm in British Industrial Relations, available from Ian Beardwell, The Polytechnic, PO Box 143, Leicester LE1 9BH.

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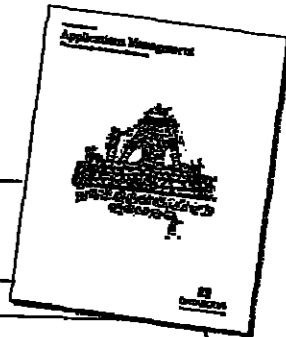
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TECHNOLOGY

The art world's marketing 'godsend'

The Mona Lisa would have sported more than just an enigmatic smile if she had known about a computer software development to help art galleries market their prints and paintings.

Designed specifically for the Redfern Gallery in London's West End, this system is described by Gordon Samuel, Redfern's managing director, as "a godsend for marketing."

The package will help the gallery with publicity says Chris Tooley, sales executive at Team Systems Group of London, the computer systems company which developed the software. "Modern commercial art galleries rely not so much on people walking in off the street, as on a network of contacts."

The Redfern, which specialises in 20th-century European art, uses the software package of word processing and database to target collectors by listing their particular interests on the database.

If the gallery acquires a Picasso, for example, the artist's name is put into the database which produces a list of clients interested in the work. The word processing system then takes over and writes a personalised letter to each client. "It would have taken me weeks before to do something like that," says Samuel. "But now it takes only minutes."

Although proving invaluable for marketing, Samuel originally approached Team Systems to develop a stock control system. The word processing system then grew from there. As well as keeping tabs on the ever-changing stock held by the gallery, it will print documentation - for example, invoices in 36 different currencies.

Samuel's decision to employ a systems house to write the software followed an exhaustive search for an off-the-shelf product. "The nearest package we could find was developed for the US, and that wasn't flexible enough for us."

New the Redfern and Team Systems are selling the package, which runs under the Unix operating system on a multi-user computer, to other art galleries and museums.

Della Bradshaw

Family doctors in the UK are rushing to accept the offer of "free" computers for their surgeries.

About 4,000 of a total 26,000 active GPs - in 1,500 of the country's 9,600 general practices - are now using sophisticated computer systems supplied free by AAH Meditel and Vamp Health. The two companies plan to make money by selling information to the pharmaceutical industry about the doctors' prescribing patterns and their patients' diseases. A further 1,500 practices have computers which the doctors have bought themselves.

The free offers, both launched in 1987, were slow to get going because few doctors wanted to bother with a computer and many disliked the idea of selling even anonymous medical data to the pharmaceutical industry.

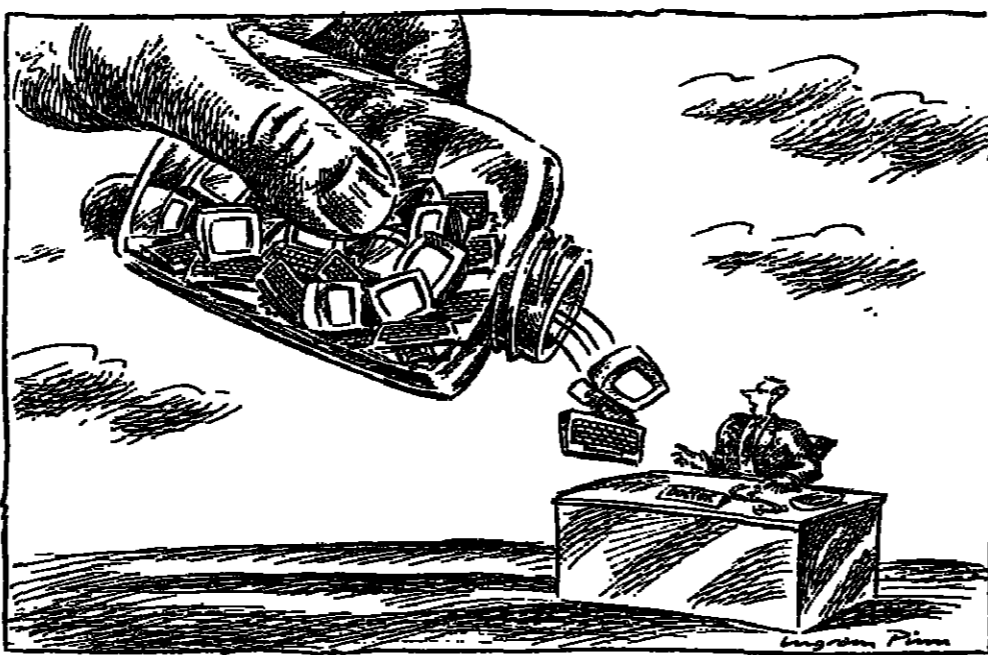
"The schemes were born in an atmosphere of understandable professional suspicion from GPs," comments Dr Andrew Herd, a member of the British Computer Society primary health care group. "They look set to end in the face of a slightly undignified rush from the profession."

AAH Meditel and Vamp Health say that they have been overwhelmed by requests for computers over the last few months and are approaching their target of 1,000 practices each. They are now only accepting applicants who fill gaps in their geographical coverage - particularly in Scotland.

One reason for the GPs' change of heart is that they realise they will need computers to carry out the financial and medical analyses set out in the Government's recent White Paper on the future of the health service. Although the Department of Health has indicated that it will provide funds for medical computing, it has given no details - and its terms are unlikely to be as generous as the Vamp and AAH Meditel offers.

At the same time, some of the ethical doubts about selling medical information to drug companies have disappeared. Many doctors - though not all - have been reassured by the independent Committee on Standards of Data Extraction which supervises both schemes. Its guidelines are designed to protect confidentiality and ensure that all information is made anonymous before it reaches third parties.

"Britain is now streets ahead of the rest of Europe in the use of computers in general practice," says Dr Simon Jenkins,



An electronic remedy for general practice

Clive Cookson explains why UK doctors are being offered, and accepting, free computers

chairman of the British Medical Association's computer committee and BMA representative on the Union of European GPs.

General practice in the UK is organised in a way that is particularly suited to the collection of prescribing and medical data. Almost everyone is registered with a GP who is solely responsible for his or her primary health care and who provides referral to a hospital specialist for further treatment if necessary. As a result, British GPs can provide fuller information than their counterparts in many European countries, where more people go direct to specialists.

If the schemes are to succeed commercially, they will have to build up a reliable and complete database which the pharmaceutical companies will trust and want to buy. That means that all participating doctors must use their computers routinely when they see a patient. They must enter brief but accurate details of each patient's medical problem and any drugs prescribed.

"We've always felt that our data should be as far as possible collected as a by-product of

the doctor's normal activities," says Ewan Davis, managing director of AAH Meditel. "The quality of the data suffers when it is collected specially."

Both systems are therefore designed to be easy for doctors to use. Large amounts of data can be entered with very few keystrokes; for example if the doctor types the first three letters of a diagnosis or drug, the computer responds with a list of full names to choose from. AAH Meditel supplies Hewlett Packard Vectra computers with software developed by Ables, a specialist medical systems company. Vamp has its own software running mainly on Olivetti computers.

All Family Practitioner Committees (the local NHS bodies responsible for primary health care) supply GPs with a full computerised list of their patients. "That gets the doctor off to a flying start - though there are often discrepancies between the FPC's and the doctor's own version of the list," says Davis.

Doctors whose records are fully computerised find that "this brings very real benefits to the clinical care of patients," says Dr Simon Jenkins, a Bury

GP. "To give one example, if you get a notice from the Committee on Safety of Medicines about the side effects of a particular drug, you can immediately pull out an up-to-date list of all patients on the drug and contact them if necessary."

AAH Meditel supplies its computers with a modem which is used to send data from the GPs to the company for analysis, via the electronic network operated by Intel, the UK computer services company. Vamp doctors, on the other hand, transfer their data by sending computer disks to the company. Both companies have programs which remove names, addresses and any other information identifying individual patients, before the doctors send in the data.

The Vamp and AAH Meditel databases will be useful to the pharmaceutical industry and medical researchers in four areas:

- Monitoring drug safety. The companies say that their databases - each covering about 6m patients - will pick up adverse reactions to drugs more quickly and reliably than

the present system of "post-marketing surveillance", which relies on doctors voluntarily reporting side-effects and lacks statistical controls.

● Clinical trials. The computers will make it easier to select patients who are suitable for testing a particular new drug. If their doctors agree to take part in the trial, the system will prompt them with an on-screen questionnaire to provide additional medical information.

● Market research and studies of drug use. Professor Stuart Walker, director of the industry-funded Centre for Medicines Research, says the computer systems will make it possible for the first time to follow the individual case histories of a large group of patients with a specific medical problem.

● Epidemiology. The databases should eventually give a more accurate picture of the way diseases are distributed through society. This information is of commercial interest to drug companies seeking to develop new medicines.

However, some epidemiologists have doubts about the quality of the data. "I believe Vamp and Meditel will be able to produce extremely good prescribing statistics but the quality of the morbidity (disease) data will be weaker," says Dr Douglas Fleming, deputy director of the Royal College of General Practitioners' Birmingham Research Unit. "It will be a big task to impose the necessary recording discipline on the doctors." One problem, he says, is persuading doctors always to enter details of visits to patients' homes in the computer when they get back to the surgery.

Both companies are using their databases for small-scale research projects and Vamp has just signed the first large contract, understood to be worth more than £500,000, to carry out post-marketing surveillance of a new drug. "We don't want our doctors to know which drug it is because we don't want them to alter their prescribing habits in any way," says Peter Williams, Vamp's managing director.

Looking further into the future, Dr Glyn Hayes, chairman of the British Computer Society primary health care group, says: "The extension of human facilities through computers is going to change medicine out of recognition over the next 30 years or so. By introducing GPs to computing, the AAH Meditel and Vamp schemes are doing more to improve patient care than anything else I can think of."

Mail order by telephone

By Della Bradshaw

Mail order has become a misnomer for home shopping in the UK these days. Sears retail group, for example, says that 80 per cent of orders through its Freemans mail order catalogue are now placed by telephone, not by post.

As a result, the company is turning to communications technology to improve its service to existing customers and to help it launch new catalogues. Sears' high street outlets, Setridges, Walls and Hornes, have already launched catalogues this year and more are on the way.

The Freemans catalogue now accounts for 95 per cent of the Sears home shopping business. But Michael Pickard, Chief Executive of Sears, says the company plans to increase direct mail operations so that in four years' time the Freemans contribution accounts for only 40 per cent.

To help it handle the expected deluge of calls over the next four years Sears has combined British Telecom's digital freephone network with automatic call distribution systems (ACDs) - telephone exchanges which place the calls in a queue so that they can be answered in rotation.

The freephone network has enabled Sears to cut down the number of ordering centres from six to three - in Sheffield, Orpington and Clapham, London - and extend its ordering service to run 24-hours a day. The retail freephone network of its 40,000 calls throughout the day.

Callers phoning any of the Sears catalogues now do so using a single number, prefaced by the 0345 freetone code, and pay only for a local call. Because the freetone network is software-controlled, Sears is able to determine which calls go to which of its centres. This distribution of calls can be changed at 48-hour intervals - useful if one of the offices is out of operation, or if there is a staff shortage.

Eventually Sears plans to introduce separate 0345 telephone numbers for each catalogue. These would indicate - by information displayed on the computer screen - which catalogue the customer was using each time the telephone rang.

Sears has not tried to justify its investment decision on traditional cost-cutting grounds - the running costs of their new network will be three times that of their old one. But, says Philip Bradshaw, head of group information systems at Sears, doing it cheaply and cheerfully was not what the company wanted.

"It's so easy to be cheap and inflexible. We decided we needed the flexibility because of the way we're going to change the business," he says. "Most companies have problems building technology to follow a business plan because the technology is inflexible." The ACD system selected by Sears for its Sheffield Centre is from the west London subsidiary of Aspect Telecommunications of San Jose, California. Other manufacturers and distributors of ACD systems include the US company Tektronix, whose system is sold through Datapoint in the UK, Ericsson of Sweden, and two UK companies STS and GPT (the GEC and Plessey joint venture).

ACD systems have a niche market but they are enjoying rapid growth in Europe at the moment - by 30 to 40 per cent a year according to market research organisation Dataquest. However, Dataquest believes that UK sales will plateau by 1992.

ACD systems are finding homes in any industry where ordering or servicing is central to business. They can be programmed with a number of voice responses to assure customers their calls will be answered shortly and can also, for example, be used to direct authorised callers into the company's service database.

Sears, at least, is hoping the technology will help it increase its percentage of the home shopping market, a lucrative sector of the retail business, worth £4.5 bn last year in the UK.

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NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER

With reference to the notice of declaration of dividend advertised in the Press on 2 June 1989, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 200 cents per share was declared in South African currency. South African non-resident shareholders' tax at 28.181% cents per share will be deducted from the dividend payable in respect of all share warrants bearing a not endorsed of 170.819 cents per share.

The dividend on bearer shares will be paid on or after 2 August 1989 against surrender of coupon No 112 share warrants to bearer as under:

- (a) At the offices of the following continental paying agents:
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 - Swiss Bank Corporation 1 Anstettenstrasse 4002 Zurich
 - Banque Paribas Lambert 24 Avenue Maréchal 8001 Brussels
 - Union Bank of Switzerland Bahnhofstrasse 45 8001 Zurich
 - Generale de Banque 5 Montigny du Parc 1000 Brussels
 - Banque Internationale a Luxembourg S.A. 2 Boulevard Royal Luxembourg
 - Banque Generale du Luxembourg S.A. 14 rue Adolphe 118 Luxembourg

Payment in respect of coupons lodged at the office of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa provided by the continental paying agent. Instructions regarding the exchange of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel Bank Limited, 45 Beach Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand South Africa in the Republic of South Africa, payment will be made in United Kingdom currency either:

- (i) in respect of coupons lodged on or prior to 26 July 1989 at the United Kingdom currency equivalent of the rand currency value of their dividend on 19 June 1989; or
- (ii) in respect of coupons lodged after 26 July 1989 at the prevailing rate of exchange on the day the proceeds are realised, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel Bank Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by International Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 150 cents per share in terms of sub-paragraph (b) above arrived at as follows:

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	28.181
Less: U.K. Income tax of 10.4248%	172.819
of the gross amount of the dividend of the 200 cents	20.000
	152.819

For and on behalf of ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED 112 A Walmsley London Secretary

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NOTE: The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at this reduced rate of 10.4248% instead of the basic rate of 25% represents an allowance of credit at the rate of 14.5875%.

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THE PROPERTY MARKET

Checking in at a business 'hotel'

By Paul Cheeseright

The mobile businessman has jettisoned the consciousness of the property industry. So has the company which does not want to surround itself with all the trappings of leasehold agreements or own occupation. The result has been an expansion in the number of serviced offices and a greater willingness by some property companies to provide businesses with premises, not on a lease basis but on licences. Marketing people have coined the title "business centres" for what are essentially business hotels: you can stop for a day or stay for a year. But the facilities are immediately available to start working. Business centres are like hotels in another respect. Different demands from the customers have created different standards of accommodation. They range from the four-star Regus operations like Reinhold's Regus Centre and London & Edinburgh Trust's Carlton Offices through the more basic facilities provided by, for example, Local London Group to the office-industrial space mix offered by companies like Skillion. "All have in common the fact that you can break the lease. They're catering for that sector of the market which does not want a long leasehold interest," noted John Mathey of Skillion. The centres are spread throughout the UK, but like so much other property, the focus of activity is in London. Winter and Co, an estate agency specialising in the provision of small offices, calculated that by the end of 1988 there were

63 business centres in central London - that is, serviced offices rather than premises where manufacturing can take place as well. That amounted to a total of about 600,000 square feet of space. Most commonly the centres have between 4,000 and 7,000 square feet of space, split into suites. They are run by private companies - Fairway and Chesham, for example. And they are spread more thickly in the West End of London than in the City. The economics are not unlike those of a hotel. They need high occupancy rates to provide the 30 per cent return most operators are likely to require. According to Mitchell Winter of Winter and Co, "a well-run complex will break even at between 60 and 70 per cent occupancy. Above that

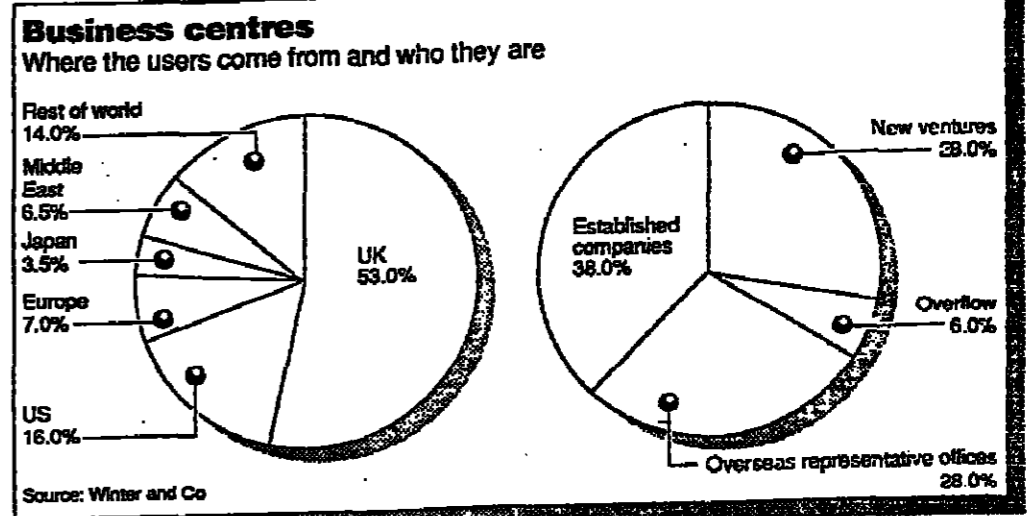
they make a good return and with 90 per cent occupancy they make a first class return." The level of payments reflects not only the serviced element of the office space, but also the fact that operators are substituting high fees for certainty of income. Thus the licence charges will be more than double those of the most expensive leased offices at up to £200 a square foot. As far as customers are concerned these charges are expressed in costs per month. Carlton Offices were quoting £10,000 for office space to house 10 people. The Regus Centre, nearing completion, is charging £3,000 a month. Winter noted that "licence fees and inclusive rentals vary enormously with quality and

location. In general, however, the newer centres are achieving higher standards and prices have risen accordingly. Rental fees have been rising at roughly 10-20 per cent per annum and most operators expect this pattern to continue." Indeed, rather than waiting for rental uplifts once every five years, operators tend to adjust their charges annually. Clearly there will always be a transient population of businessmen wanting somewhere more convenient to work than a hotel. "Businessmen are fed up with standing in hotel lobbies looking furtively over their shoulders," commented John Wheeler of Reinhold. But the operation of business centres cannot wholly be divorced from the general movement of the property market.

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to Apr 89	17.6	25.3	24.9	22.0
Monthly rate - Apr 89	0.9	1.0	1.5	1.0

Source: Investment Property Database

Arguably, greater flexibility in the market will put greater competitive pressure on the business centre operators. There will be more choice of premises available. It is noticeable that although the taking of space in serviced offices on a permanent basis is rare, the average length of stay in newer centres is quite long. The centres themselves prefer to rent space for a minimum of three months and Winter has found that the average length of stay in St James's district of the West End is 24 months. In some parts of London the stays have been five years. The centre operators themselves are seeking to develop a new market through the internationalisation of their activities. This is probably outside the scope of the smaller private companies involved but is a natural step for the larger quoted groups. Frogmore Estates has just opened a new centre at Windsor which is part of the Headquarters Companies network - a series of business centres through the US. Reinhold has centres in Copenhagen and Stockholm and plans more in the major continental European cities. London & Edinburgh Trust is completing Carlton centres in Glasgow and Paris and also plans expansion through Europe. The idea here is that international clients can be passed from centre to centre. In just the same way as an international company makes hotel reservations for its executives before they start to travel, so they will be able to rent offices in advance.



SERVICED offices have been part of the US property scene for decades but their growth in the UK is a fairly new phenomenon. There were isolated business centres in London during the 1960s, but Winter's analysis of their spread shows that their London development has been concentrated between 1982 and 1988 with a peak reached in 1986. This development is mirrored in the expansion of Local London. John McAvilly, who runs its business centres, noted that in 1984 the group ran four and now has 20. Mitchell Winter observed that the fundamental reason for the spread of the market has been the growth of the economy during the 1980s. "In the late 1980s it has developed almost by default. If at any

given time you walk into an agents and say "I want a small suite of offices with a flexible lease and an inclusive rental you'd find it very difficult." He puts this state of affairs down partly to the institutional desire to have tenants on full repairing leases lasting 25 years. As a result, entrepreneurs have slipped into the market to provide a service. But the stronger the economic growth and the more sustained the demand for property, the greater the problems of the business centre operators. "When the property market gets buoyant, it is difficult to find buildings," said Mr McAvilly. "To have a custom-built building is a huge investment and this could put you out of court." Local London prefers to take

buildings like old warehouses and convert them. In a different section of the market, Reinhold's Regus Centre, with its conference centre, communications centre and own restaurant is costing about £30m. In the early 1980s, when the market was in the doldrums, buildings were easy to obtain. Now that is not the case. As business centres have spread, so has the nature of their clientele. Local London has noted that there is now more demand from international companies than there is from domestic companies at an early stage of their existence. The five-star centres are in any case geared to the international market. But in all cases, no company which arrives expects to stay permanently.

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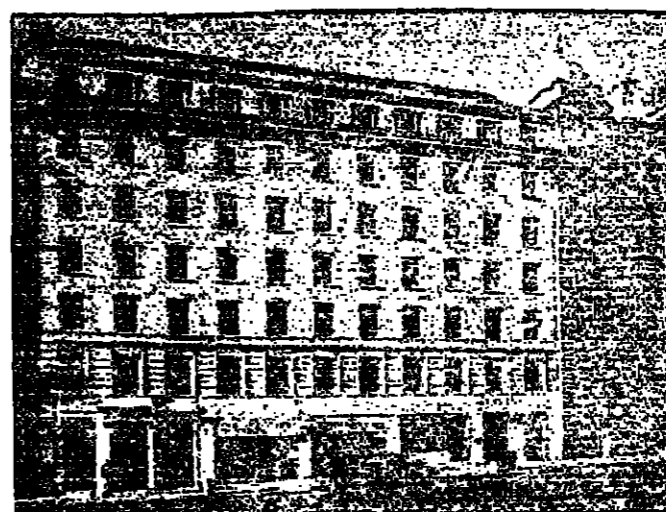
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Arts Week

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphorette, gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (838 2294).

Much Ado About Nothing (Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnabout forthrightly rep with Cheek's early, straggling Ivanov. Not to be despised (836 2860).

As You Like It (Old Vic). Yet more non-RSC Shakespeare, with outstanding Rosalind from Fiona Shaw in eclectic, enjoyable Tim Albery revival. Ambitious designs (526 7016, cc 261 1821).

The Black Prince (Aldwych). Ian McDermid gives the performance of a lifetime in Iris Murdoch's distillation of her own Marxist novel. Witty black farce, vitriolic and entertaining (836 6046).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs. Bob Crowley designs, good music arranged by Jeremy Sams, June 8-14, 23-25, July 7-10 (958 2252).

Single Spies (Queen's). The high light of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehearsal of Bennett's film *An Englishman Abroad* (784 1168).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomat hero in a Peter Shaffer-style "spectacle of the North", dressed up in John Dexter's superb production as a metaphor of homosexual life. The transves-tigates prove less electrifying than in New York; the play is not very good but still worth seeing (379 5389).

Brigidonno (Victoria Palace). 1947 Lenin and Lowell "heavily scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (824 1217, cc 836 9428).

The Verdes (Garrick). Maria Aitken and Rupert Everett in brilliant reprisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and

more fixation. Mannered, excessive, beautifully costumed. A must for yuppies (879 6107, cc 741 9989).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insolence. A probable, but unimpressive, hit (839 5972).

Isaacum (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murky exercise in transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murky exercise in transatlantic misalliance between two Americans and their distant English relatives.

Ismo (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classic company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical aside a Simon Gray character (836 1660).

Hold (Globe). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (289 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying London's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (289 6200).

Shirley Valentine (Globe). Fanny Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs with Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed theatres provide informative English language programmes and the National Theatre has an ex-spectacular guide in English (341 2211).

Les Misérables (Imperial Theatre). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. (301 7777).

musical, devoted to computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9989).

Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mingling of Winter Garden, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (847 0033).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis D'Arcangelo as Pseudion in Burt Shevelove and Larry Gelbart's adaptation of Plautus, Ende Ave 6.

Driving Miss Daisy (Rialto Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Marley play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (868 9000).

Tokyo

Kabuki (National Theatre). Kanadehon Chushingura. The most popular play in the kabuki repertoire, based on the true story of the 47 loyal samurai, is performed on a new stage at the National Theatre.

Shimabeshi Embryo Theatre. Two mixed programmes at 11am and 4:30pm, featuring mainly younger kabuki actors, including Kikugoro and the world-famous Onnagata Tamuzaburo. Both programmes at 11am and 4:30pm, featuring mainly younger kabuki actors, including Kikugoro and the world-famous Onnagata Tamuzaburo.

The Haywards Gallery. Art in Latin America - a rich and fascinating survey of the painting and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial empires. Daily until August 6.

The Barbican Gallery. 100 years of Russian Art - a curious exhibition drawn from private collections in Russia, itself something of a surprise. Until July 9.

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MUSIC

London

Leningrad Philharmonic conducted by Yuri Temirkanov, with Dmitri Alexeev (piano). Prokofiev, Rachmaninov, Mussorgsky. Barbican Hall (838 8861) (Sun).

The Philharmonia conducted by Giuseppe Sinopoli, with Jessye Norman (soprano), Strauss. Royal Festival Hall (928 8800) (Sun).

The Philharmonia conducted by Eilahu Lubal, with Cyprien Katsaris (piano). Royal Festival Hall (928 8800) (Tue).

London Symphony Orchestra conducted by Kent Nagano, with Yvonne Loriod (piano). Barbican Hall (838 8861) (Tue).

Cleveland Orchestra conducted by Christoph von Dohnanyi, with Daniel Majeska (violin), Robert Vernon (viola), Stephen Geber (cello). Royal Festival Hall (928 8800) (Tue).

Paris

Arlene Auger (soprano) with Irwin Gage (piano). Théâtre de l'Athènes (Mém) (47428777).

Asleen Auger (soprano) with Irwin Gage (piano). Théâtre de l'Athènes (Mém) (47428777).

Queen Elizabeth Violin Contest

The Royal Academy. The Royal Treasures of Sweden 1500-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, most of which are the whole of Europe at the time of Sweden's abrupt emergence as a European power. Irons and armour, gold and silver; but most delightful, perhaps are the fabrics, most of all the complete and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Versailles. Daily until June 18; sponsored by Gamson.

The Royal Academy. The 22nd Summer Exhibition of the Royal Academy. The usual gigantic and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Versailles. Daily until June 18; sponsored by Gamson.

The Walker Art Gallery. "La France Images of Women and Ideas of Nation" - second showing of the South Bank Centre's bicentennial celebration of the Revolution - until June 11.

Carte Musée of Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée de la Ville de Paris, the Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe, intended to celebrate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objects d'art and everyday objects lent by 15 countries trace the pre-revolutionary splendour of European courts and the artistic and political ideas of the laborious life of the peasants. The fall of the Bastille, the symbol of the Revolution, is richly documented, as is the political influence of artists who, by representing the heroes of antiquity indirectly bestowed the Roman Republican virtues on an idealistic contemporary reality. A visual representation of the Human Rights Declaration becomes a cornerstone of the revolutionary ideology. The exhibition ends with images of the seizure of power and restoration of an authoritarian regime. Closed Tue. Late opening night - take it or leave it: Until June 25, then on to Munich and Madrid.

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ARTS

London

Barbican Hall (838 8861) (Sun).

The Philharmonia conducted by Eilahu Lubal, with Cyprien Katsaris (piano). Royal Festival Hall (928 8800) (Tue).

London Symphony Orchestra conducted by Kent Nagano, with Yvonne Loriod (piano). Barbican Hall (838 8861) (Tue).

Cleveland Orchestra conducted by Christoph von Dohnanyi, with Daniel Majeska (violin), Robert Vernon (viola), Stephen Geber (cello). Royal Festival Hall (928 8800) (Tue).

Paris

Arlene Auger (soprano) with Irwin Gage (piano). Théâtre de l'Athènes (Mém) (47428777).

Asleen Auger (soprano) with Irwin Gage (piano). Théâtre de l'Athènes (Mém) (47428777).

Queen Elizabeth Violin Contest

The Royal Academy. The Royal Treasures of Sweden 1500-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, most of which are the whole of Europe at the time of Sweden's abrupt emergence as a European power. Irons and armour, gold and silver; but most delightful, perhaps are the fabrics, most of all the complete and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Versailles. Daily until June 18; sponsored by Gamson.

The Royal Academy. The 22nd Summer Exhibition of the Royal Academy. The usual gigantic and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Versailles. Daily until June 18; sponsored by Gamson.

The Walker Art Gallery. "La France Images of Women and Ideas of Nation" - second showing of the South Bank Centre's bicentennial celebration of the Revolution - until June 11.

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Modern Music Theatre Troupe

THE PLACE
Contemporary opera has not been receiving too good a press recently, but before getting terminally disillusioned or being talked into a crisis, punters should become reacquainted with the Modern Music Theatre Troupe, who for some years now have been quietly — but quakily — delivering the goods with an admirable ratio of success and near-success (let it not be forgotten that Paul Barker, MMCT's director, composed a notable *Doris Lessing Zones* opera last before meeting the appalling lead of trips thudded into the Coliseum stage last year).

Barker's latest piece, the 45-minute *La Malinche*, was presented at The Place on Wednesday. How quakily? — encountering a new opera that is about music, based on elaborate, demanding and satisfying writing for a chorus of ten (excellently prepared and conducted by Michael Coveney), and on genuine ability to write compellingly for the voice, both elements discreetly supported by a band of three percussion, and two couch shells doubling trumpets).

The rich musical content should not, however, entirely deflect doubts about the aspect of this treatment of a weighty moment in time: the meeting of Cortes and the Aztecs. The Indians sing in Latin and Spanish (English is used for the title and for the counter-tenor Micrometax, whose precise function was not entirely clear (one was, admittedly, quakily mesmerised by the beauty of Jonathan Peter Kenny's singing). Cortes ended up dead, not as the triumphant destroyer of Aztec civilisation, and the ways and whereabouts were lost in the mangle of the title and the only element of a certain period — the music — that can be said to have been music-theatre undertakings. (A case for surtitles? No, no, I'm joking.)

Otherwise, nothing but praise for Barker's conducting, the pointed production (Alexei Zverev's set is a masterpiece), and above all for the singing of the title role by Christine Barker, a soprano with the dramatic intensity of a Barstow, and Richard Jackson as a definitely un-sweet Cortes, both of whom seized the opportunity for expressive vocalism with due gratitude.

In place of the advertised piece by John Woolrich (illness prevented his company from touring), the first piece was devoted to two groups of pleasingly unpretentious songs by Barker (equally sung by Karin Parkinson) and Hugh Davies (Janet Linee, in a secure duet with Nigel Faint's trumpet). The dance element I am not qualified to remark upon, but it was anyway utterly unstaged by the riveting variety of noises the composer was able to use in his minimalist Concerto for Axl Hurr. An evening of real musical substance, then; tonight's repeat performance is warmly recommended.

Rodney Milnes



Plácido Domingo as Mauricio

Beorhtel's Hill

TOWNGATE THEATRE, BASILDON

Arnold Wesker has written this year's community play for the Colwyn Trust. *Beorhtel's Hill* is the old Saxon name for Basildon, the New Town in Essex, celebrating this year its 40th anniversary. A local cast of hundreds is well deployed on the stage of the new Towngate horse-shoe auditorium; there is no undisciplined rushing about or prodding. The play is both episodic and fragmentary. "Property, Freedom, the Stranger in our Midst" intones a bold narrator, a self-styled community drunk who svaingly conducts the proceedings, mystified by the middle class presence of a Greek chorus ("If only I knew who they were"). The chorus gnomically remarks that "all things are of themselves," a cynic of his sneer, a city of its dreams.

The loss of religion, or of idealism, impinging only scantily, however, on the main task which is one of explaining a community's history in terms of social imperatives and human need. Today one thinks of Basildon as a mildly prosperous, monumentally boring dormitory town, part of the East End Cockney overspill. A diary-keeping New Towner interjects her recent memories as the original settlers, known as plotlanders, established their country bolt-holes before the last War.

Those small properties were later auctioned off by the Basildon Corporation for huge profits, and after the New Towns Act of 1949, the first modern houses were built. Major expansion was approved in 1964. By 1963 there were 160,000 inhabitants.

This jostling of escapist dreams by the new political and architectural brutalism becomes the major theme, but it is never given the insistent focussing Wesker once arranged in the play of his piece most strikingly (and at one point, literally) recalls,

Their Very Own And Golden City.
The chorus, I suppose, represent the spirit of a place whose evolution depends on welcoming the stranger. After the plotlanders come the re-housed East Enders and finally, in the 1970s, Ugandan immigrants thrown out by Idi Amin but pragmatically welcomed by Edward Heath, the Prime Minister. An angelic choir in beautifully hand-made white wings sings of the dream, of a phoenix rising from poverty and misery.

It is all something of a patchwork piece, colourful but unrelaxing. A gang of Edwardian kids evokes the forgotten play-ground games and follow the dream symbolised by a single red rose (not a Labour Party emblem, surely). Memories of war-time, like much of the play's material, have been culled from tape-recorded interviews and re-written; played, "rhythmic" he would say, by Wesker.

A town built for the dispossessed, by the indigenous East Enders or immigrant Ugandans, is both exhilarating and taking strength from, Wesker poetically suggests, the small deeds and tiny braveries of the plotlanders, with their Beatrice stoves, wooden huts and taste for fresh air. That tradition can burst through still, in art and gardening. The play ends with a great flower festival, pots and displays carried onto the stage from all over the theatre, the scenes transmuted and strung with magnificent garlands. The weekend ends, the little steam train, the properties and costumes, all testify to a loving participation by the Basildonians. Their work — on view until June 17 — is well organised by Directors Ian Drum and Steve Woodward. Ian Stewart supervises some impressive chants and anthems.

Michael Coveney

Arts New 'Trovatore' at Covent Garden

In the week after hideous civil-war turmoil broke out in one of the world's oldest civilisations, the Royal Opera has unveiled its new production of *Il Trovatore*. The only salutory feature, if one can call it that, of the juxtaposition is that it helps one to appreciate the blazing truthfulness of Verdi's opera perhaps that degree more.

The story of *Il Trovatore* is not incredible — the tired old canard must be laid to rest finally and forever. Absurd, casual acts of violence always happen in places and at times of civil conflict. (The matter of the "wrong baby" has long been the target of particular mockery, readers of Joseph Lelyveld's *South African epic Mose's Shadow* will not, however, be among the mockers, because they will have engraved on their memories the story of the woman who handed her baby over to a stranger for safekeeping while escaping a police roadblock and lost him forever.)

The elemental directness of the opera's situations, of the emotions no less absurd and violent that arise within and because of them, and of the song in which they are uttered, makes this one of the purest and most unaffected of all attempts to capture the comic *humaine* in the theatre. It is this sense of directness that one craves in any production of the opera. *Assuredly* it is not easily supplied. Caruso may have exaggerated when he said that the four best singers in the world are all one needs, but the no-holds-barred presentation of the music is the crucial ingredient in the dramatic articulation — lavish sets and costumes — come low down on the list of requirements.

At Covent Garden, alas, priorities appear to have been reversed — if not in intention, then in the end result. On Radio 4's *Start the Week* this Monday, Jeremy Isaacs, the house General Director, accuses all opera critics of being producers' *manqués*. Embarrassing nonsense, of course; but during the long, lukewarm course of Wednesday's Royal Gala (in the presence of the Prince and Princess of Wales), there were certainly plenty of opportunities to analyse all the ways in which one would have preferred to see and hear the opera done. Piero Faggioni, the producer-designer, has gone all out for elaborate (and evidently costly) pictorial effects; but the interest of these soon ebbs away, and the combination of grandiose dullness for the eye and grey dullness for the ear proves sadly overpowering.

Faggioni has set the whole opera in a slate-grey gorge "based on a primitive mountain cave of volcanic origin, for which volcanic rocks have been modelled from original shapes at the Gole dell'Aicantara." The stark shapes and spaces, ringed with smoke and pointed with fire, suit the early scenes impressively well, the later ones a good deal less well, and the whole opera inadequately — the absence of Mediterranean openness and brightness of sky, sun and moon, is ultimately crippling. The style is clearly intended to be high-Romantic; but with flowing robes, metal helmets, and hardly-visible faces its linking features, the *mise-en-scène* begins after a while to assume the family traits of the *Maestros of the Chamber* cartoon videos. It is a setting that takes one back to the starkly positioned super with reasonable effectiveness, and Faggioni sets these up capably enough (apart from that riddle dancer, a mute Preziosilla figure, who sashays about to the Soldiers' Chorus). But the director's taste for the ornate and emotional conflicts drained of immediacy, would take a cast of super-Verdians and a conductor of the holiest Verdiian authority to make something elementally direct of it; and on Monday it is they we most missed. Bernard Haitink, conducting his first *Trovatore*, was at his most cautious and un-electric. Past experience with *Don Carlos* and *Traviata* suggests that he

will find his way to the colours and energies of the score in time; but this performance was the palest preliminary sketch.

The big name of the cast is Plácido Domingo; the strongest contributor is Sergey Leiferkus's Count di Luna. In terms of vocal timbre he is not a natural for Verdi baritone roles, and his words are fruitily Russo-Italian, yet he remained always vigorous in delivery, urgent in attack, acutely in character. Domingo's troubadour comes to London, I fear, a little late in his career; the singing is of course highly musical and responsible, but unwontedly dry, and tight at the top (this even with all "traditional" *acuti* banished, an unimpeachable decision that has attracted an absurd amount of publicity). This is the first of Domingo's Royal Opera productions notably undominated by his presence.

Rosalind Plowright has failed to live up to the wonderful Verdiian promise of her *ENO Otello*. It was sad to hear her struggles with the upper range of the music; and as all her attentions seemed to be concentrated on getting past the next approaching high-jump, the sum of her singing and acting was a constrained, unincused Leonora — at least until the final scene, when at last the tone began to flow. Eva Rajska, vocally out of her *Tuch*, approaches the assignment with secure professionalism; but no-one, I think, would want to revive Verdi's early idea of naming the opera *Azucena* on her account. Willard White's Ferrando is strikingly acted and sung, not quite dark enough in tone.

Faggioni, the house's Principal Guest Producer, is making this *Trovatore* (supported by Reed International) the first of a Verdi "Spanish" mini-series at Covent Garden. It was an inauspicious start.

Max Loppert

'A Doll's House' at the Leicester Haymarket

Nick Dear, who has made this version of Ibsen's play at the Leicester Haymarket from a literal translation by Kunt Grimsted and directs it himself, evidently means it to strike a modern house as it would have struck an audience of its own time. It was written in 1874, so current speech usages are avoided. Challenged about her "rich old gentleman" fantasy, Nora says "He doesn't exist, not there isn't one," and a visitor is asked to "enter" the study.

The playing matches the language, for Torvald and Nora (Daniel Massey and Miranda Foster) both express their emotions in deliberately offbeat gestures, giving some old-fashioned excitement. Massey's ultra-sentimental Torvald points his forefinger at Nora when he is lecturing her (he usually is) as if he were a headmaster; and both Nora and Dr Rank go down on their knees to reinforce various pleas. T.P. McKenna as Rank uses rather too much voice for a man fatally ill with "consumption of the spine," but he cleverly suggests dashing behaviour in subtle ways — see him smell Nora's silk stockings when she displays her costume to him.

Matthew Scurlfield, though equally restrained, is a truly minatory Krogstad without ever uttering more than a lawyer's warning. I felt sorry for Kristine; with every pretence of revived affection, she turned to her old affair with him when it was obvious that he was accepting her for his social betterment only. Kristine was a wholly likeable woman as Michelle Newell played her, with her deep, sensible voice, and she deserved better.

Certainly better than putting Nora up when she walks out on her husband, Miranda Foster is totally different after the party, the absurd doll-wife Nora as if by magic. "I'm saved" says Torvald when he reads Krogstad's last letter. "And me?" asks Nora curdly. She comes right downstage, her way when she has important lines to tell us all that she now thinks her husband a stranger. We never see the children, by the way. She makes her final exit with more dignity than she summoned to drown herself with, though she should have worn something warmer for a Norwegian January night.

Antony Thornecroft

Laughing Matters DONMAR WAREHOUSE

Why should anyone want to spend his evening splitting table tennis balls into the four corners of a theatre and then catch them in his mouth as they bounce back? And why might ask juggler-comedian Michael Davis, should anyone want to go and watch him do it?

Because Davis is a troll character, a dastardly Californian comic in the George Burns tradition who jizzes up his talents as a juggler with smart repartee. At times in his show at the Donmar Warehouse in Covent Garden (which runs for six weeks) he juggles about the fragging altogether and entertains with his guitar and some Bob Monkhouse repartee: "Why is abbreviated such a long word?" "Why is there only one Monopolies Commission", but then the frenzy gets to him and he balances his guitar — or a tent — on his forehead.

At first Davis is too knowing for his own good, arm locking the other hand, spreading his tricks. But by the end when he is standing on a be-plastered stage a total wreck with a spurge of ice cream covering his face after he has just juggled a loaf of sliced bread, the ice cream, and a squid, he becomes human. To add to the fun he embroils in his food, juggling an innocent member of the audience.

Davis tries to make juggling the secret of the universe. "Without juggling there would be no gravity," he intones, believing with some justice that clipped irony is wit. Some of his sleight of hand is impressive — juggling a yolk of an egg and the stalk of an apple is no beginners' stuff, and there is some edge to his handling of a scimitar, axe and a chopper.

And always there is the feeling of some maddo oddball personality just below the surface co-ordinating. A vignette involving grape juggling which leaves him cheeks bulging with fruit and moisture pouring down his shirt, and which also incorporates a hapless audience member, touches the Theatre of Cruelty, let alone the Alibi. The final act is a cult figure, the good thing to come out of Mickey Rooney's short lived West End show *Sugar Babies*. He is something special, but also something strange.

To add to the bizarre Davis shares the evening with a puppeteer Bob Hartman. His quaint puppets are whimsy run riot, but there is always an audience for loveable ducks and wise cracking babies.

Antony Thornecroft

Saul QUEEN ELIZABETH HALL

The virtues of Handel's *Oraatio* (and virtue is what it's official about) have long been recognised, but usually trimmed back a bit in performance; it is a lengthy score. In the uncommonly full version we heard on Wednesday, however, there were no *languishes*, for this *Saul* was the lively and curious intensity of the Saul-David-Jonathan triangle got full dramatic value. It's that, after all, and not any pious moral, which lights up the tale; Goliath has been slain before it begins, and the passive David's much-praised "virtue" is never acted out. Yet it captivates everybody, sooner or later, and sets them all at odds.

David was sung to astonishing effect by the black American counter-tenor Derek Lee Ragin. He is a rare performer who sets a new standard: bell-

David Murray

ARTS GUIDE

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FINANCIAL TIMES
LONDON BUSINESS SERVICES

OPERA AND BALLETT

London
Royal Opera, Covent Garden. Further performances of the Royal Opera's 1988-89 season, an event of the new production of *Il Trovatore* by Piero Faggioni, conducted by Claudio Abbado, with Plácido Domingo in the title role, and Rosalind Plowright, Eva Randova, Sergey Leiferkus and Willard White completing the cast. Royal Ballet, Covent Garden. On June 12 a further performance of the new full-length *La Baudouine*. On June 15 the Royal Ballet performs *The Sleeping Beauty*, again at Covent Garden.

Amsterdam
Musiektheater, Netherlands Opera production of *Le Médecin malgré lui* by Louis Andrieux. Directed by Robert Wilson, with Reinbert de Leeuw conducting, James Doig and Wendy Hill in the leading roles. (Fri, Sat and Sun, 205.45).

Westend
Volksoper, Andrea Chénier conducted by Anton Guadagnoli, with a cast including Annelie Gall, Peter Koves and Jaroslav Stajna. Premiere of *Elektra*, conducted by Claudio Abbado. Cast includes Brigitte Fassbender, Eva Marton and Goran Stijnert. *Tristan und Isolde* conducted by Heinrich Hollreiter and sung by Gwyneth Jones, Marijana Lipovsek, Waldemar Kmentz. *Don Giovanni* conducted by Iván Fischer, with cast including Edith Gruberova, James Morris and István Gati. Also *Die Meistersinger von Nürnberg*, conducted alternately by Herbert Mogg and Conrad Antonijevic. Ballet: Dor-

risches, conducted by Peter Keeschnigk, and *Verdi's Nicht*, conducted by Ulf Schirmer.

June 9-15

Bologna
Opera. *La Traviata* has Frances Giner, brilliant in the title role. Also *Les Indes orientales* with Ashley Putnam, and *Andriani*, Deon van der Walt. *Thomas Kingo* and Ludwig Busmann, *Lohengrin* has a first-rate cast led by William Johns in the title role, Harald Stamm, Maschitt Gesendoff, Eva Randova and Ekkehard Wlachshla.

Boston
Opera. *Ariadne auf Naxos* stars Gabriele Bernackova, William Murray, Suzanne Meunier, Peter Lindroos and Richard Cowan. Last ballet performance of *Rhapsodie*/Thomas and *Ariadne*, choreographed by Yuric Vamos.

Frankfurt
Opera. *La Bohème* has fine interpretations by Gwyneth Jones, Karen Hufstodt, Keith Olsen and Ryan Scherzinger. The successful opera debut of the Israeli brothers, the cast of *Tro* production returns with a new cast led by Helena Dosea, Daphne Evangelista, Kimberly Barber and Keith Lewis. *Alceste*, ordered for the last time this season, is sung by Jonathan

Summers, Juri Zinovenko, Michel Shamir and Franco Farina. **Munich** Opera. *Il Barbiere di Siviglia* is excellently sung by Julie Kaufmann, Cornelia Walkoff and David Haggman. *Die Sacke Menckevipus* will be conducted by Peter Schneider. *Der Rosenkavalier* in Otto Schenk's traditional production features Lucia Popp, Julie Kaufmann, Ann Murray and Kurt Moll. Also in repertoire: *Salamé* with Helga Demesch, Walter Haffner and Rodo Rinkmann, and a Slavovian ballet evening by choreography by John Cranko.

New York American Ballet Theatre. The week features Mikhail Baryshnikov's stagings of *Giselle* and *Don Quixote*. Season ends July 1. Lincoln Center Opera House. (822 6000) New York City Ballet. The week consists of mixed programmes including *Stars and Stripes* and *Balduin*. *Glaz Plovs* and *Serenade*. Ends June 26. Lincoln Center New York State Theatre (877 4700)

Washington Deutsche Oper Berlin. During its fortnight's visit, the company performs *Der Ring des Nibelungen* in one complete cycle. Ends June 18. Kennedy Center Opera House (564 9700).

Tokyo Ballet Antonio Gades. Frago (Wed) Shinjuku Bunika Centre (253 1551).

SALEROOM

Records for the birds

Christie's secured an artist record price early on in yesterday afternoon's sale of modern British and Irish pictures. "A fairy story" by Elizabeth Stanhope Forbes, showing two late Victorian girls enjoying such a story, sold for £187,000, as against a \$80,000 high estimate. "A Cup of Chocolate" by Sir John Lubbock, based on a sketch in the Great Exhibition held in Glasgow in 1858, sold for \$79,200, within estimate, but two other important Laverays failed to find buyers.

Christie's also offered continental furniture for \$539,577 with just 11 per cent unsold. Top price was \$52,800, over double the top estimate, for a North Italian walnut bureau cabinet. Sotheby's, New York this week has started to sell off the

10,000 and more books and manuscripts collected by the late H. Bradley Martin. The first three sessions alone, devoted to bird books, had raised over \$10m (\$6.4m), including a record price of \$3.56m (£2.5m) for a copy of the folio of the most desirable of all ornithological volumes, Audubon's *Birds of America*, with its 435 handcoloured etchings. In the same session, Audubon's journal covering the planning and first appearance of *Birds of America*, written in 1826, sold for \$140,127.

On Wednesday \$257,551 was paid for a first edition of *The Natural History of Carolina, Florida and the Bahama Islands*, by Mark Catesby.

Antony Thornecroft

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Brady and the banks

FROM RECYCLING in the 1970s, through rescheduling in the 1980s and debt reduction now, leading to developing countries and management of the consequent indebtedness has had one constant feature: the desire to use commercial banks for purposes the leading western governments have not been willing to pay for themselves. For all its faults, the plan advanced by Mr Nicholas Brady, the US Treasury Secretary, in early March provides the opportunity to make a belated distinction between public purpose and private interest.

It is not one that either he or Mr Michel Camdessus, the IMF's Managing Director, seems to recognise. Mr Brady remarked in Madrid only this week that "now is the time for the commercial banks and the debtor nations to seize the opportunity that has been provided". Quite understandably, the banks feel that this is a "golden opportunity" to receive an invitation to a public execution, in which they are to be the guests of honour.

Raised expectations
For their unhappiness, Mr Brady bears much of the blame. As many feared at the time, his new proposals raised the expectations of the indebted countries, while failing to provide resources on the scale required to meet them.

The size of the gap between these expectations and the likely concessions by commercial banks is revealed in the current negotiations with Mexico. The Mexican Government wants a 50 per cent reduction in its outstanding debt to the banks, which are offering only 20 per cent. Despite the willingness of the international financial institutions (principally, the IMF and the World Bank) to help, the resources they can make available will not bridge the gap.

Despite these foreseeable difficulties (ones that hectoring the banks can hardly resolve), the new approach has important merits. US opposition to debt reduction has at last been withdrawn. Consequently, both governments and the international financial institutions can cease

their close involvement in the tortuous negotiations between the commercial banks and the indebted countries, whose main aim is to allow banks to recognise that their balance sheets are not fairy stories. Instead, the industrial countries can focus on the more urgent task of helping the struggling indebted countries.

Specified role

The international financial institutions should try to reach agreement with individual countries on both an adjustment programme and a financing plan. The expected role of the commercial banks should be clearly specified in that plan. Whether the resources of the international financial institutions should be used for debt or interest reduction is a secondary question; the answer to it depends on whether this would be more helpful than other forms of resource transfer.

Negotiations between indebted countries and the commercial banks should be quite separate from those with the international financial institutions, though the basis for those negotiations should be the plan agreed between the country and the international institutions. The banks would be told that they are on their own, though the governments of the leading western countries should make the regulatory and tax changes required to support the desired flexibility.

Mexico is the test case. An innocent might expect that the US, recognising the cogency of the problem and its interest in the solution, would be prepared to advance resources on an even basis to bridge the gap between what the banks are willing to advance and what Mexico needs for successful adjustment. Here, however, is the rub. The US hopes to achieve miracles without supplying additional public funds of its own, relying optimistically on the generosity of other countries. Mr Bush should be reminded that if his country had not been prepared to finance the Marshall Plan the struggle for Europe might not even have begun, let alone ended in victory for those on his side.

A new dilemma for Lloyd's

TWO YEARS ago, when the PCW fraud was laid to rest at Lloyd's of London, its chairman Sir Peter Miller said the insurance market had emerged from a long nightmare. He spoke too soon. Under his successor, Mr Murray Lawrence, Lloyd's faces another damaging drama in the Outhwaite affair. It requires speedy resolution before it severely damages confidence in the institution, both among its 31,000 members and among its customers.

This week, 1,612 people who belonged in 1982 to Mr Richard Outhwaite's syndicate learned that they must find \$54m to strengthen reserves against mounting liability insurance claims emanating from large US industrial companies. The reason is that Outhwaite sold reinsurance to 31 other Lloyd's syndicates and insurance companies against claims under old policies which they had issued since the 1940s: the potential losses turn out to be disastrous.

The trouble is that nobody now knows how many more times Outhwaite's members may be asked for cash to fund claims in the US by victims of asbestos-related disease, to remove asbestos from buildings, or to clean up toxic waste.

Legal minutiae

It is easy to become bogged down in the legal minutiae, and lose sight of the underlying difficulty. The Outhwaite debacle reflects a wider problem affecting many other syndicates. In the 1950s and 1960s, Lloyd's underwriters became suppliers of unlimited amounts of liability insurance to corporate America. Few expected that in 1989 there would be no end in sight to the resulting claims.

This "long tail" of US liabilities is making nonsense of basic Lloyd's principles. A member should pay only his own underwriting losses, not those of other members of Lloyd's. This principle is severely compromised when members who joined in 1985 find themselves routinely asked to pay 1985's claims.

Equally central is the idea that a syndicate should close its books after three years.

determine profits or losses, and release members from future financial responsibility. But 76 syndicates have left accounting years open, either because of disputes with Outhwaite, or because they cannot conclusively assess their US claims exposure. These open years have caught thousands of members in a trap of acute financial uncertainty.

The response by the Council of Lloyd's looks complacent. It has rejected outright a plan prepared by the Outhwaite agency's chairman, Lord Bavers, and surprising since they would have required Lloyd's to agree to fund the Outhwaite claims itself, if they exceeded a certain level. This would have smacked of special treatment for Outhwaite, something the council is keen to avoid.

Reflex reaction

That may be understandable, but the council's decision looks too much like a reflex reaction by a conservative group, emotional in its response, but possibly overlooking the fact that Lloyd's should work. Its own preferred solution, to ask eight of its members to help resolve Outhwaite's disputes with its policyholders, appears to rely too heavily on the goodwill of the old Lloyd's club.

It may be time to abandon rigid adherence to notions such as unlimited personal liability, and to look for practical remedies. One option would be to seek a market-wide solution to the general problem of old US claims that is damaging scores of Lloyd's syndicates, not just Outhwaite's. A number will never actually be paid, as insurers win some legal battles. But the Council of Lloyd's must recognise that the cost of coping with what remains could be an intolerable drag on the entire market, and that the open year problem is becoming insupportable for members.

The risk of inaction is that the kind of debilitating dispute which is now swamping the Outhwaite syndicate will spread through more and more of the market during the 1990s. Outhwaite's problems are unusual but may not be unique: now is the time to consider whether something much more radical than an ad hoc solution is required.

Clive Wolman on why Japan's stock market is outperforming its rivals

To find Kozen Yoshida, you have to wind your way through the dingy streets north of the Tokyo Stock Exchange, up some concrete stairs and into a small apartment with stained carpet and fading wallpaper. On the desk are two statues of Buddha and a large pile of share price charts. They contain the secret.

Mr Yoshida is a wiry, wisened 75-year-old who sits precariously balanced on the edge of his chair with his lower lip permanently curled down. For 15 years, Mr Yoshida was one of the most influential analysts of the Japanese stock market. His application of Zen Buddhist philosophy to share price movements has made billions of yen in profits for himself and much more for his clients.

They still consult him daily and broadly confirm his claim to have an 85 per cent success record in his forecasts. His most recent triumph was in predicting the world stock market crash just three weeks before it came.

His method of analysing stock markets is based, he says, 50 per cent on fundamentals and spotting trends and fashions and 50 per cent on a number system linked with the Buddhist division of a person's life into three and nine. These cover the periods of birth, ascendancy and death. "When a person reaches the ceiling, he is obliged to die, when he reaches nine he falls down. Shares are exactly the same. You have to know what period they are in," he explains.

His own life has been as volatile as Japan's stock market. He made a fortune twice, as an entrepreneur running a steel factory and later as a mattress manufacturer, but lost all his wealth through unwise stock market investments. After the second disaster, he turned to Zen Buddhism, adopted a new name, Kozen, and worked for 20 years developing his own method of analysing share prices.

South-west of the stock exchange area, in the imposing headquarters of Daiichi Life insurance company, there is another highly successful Japanese investor, Kimihiro Hasegawa. Small, dashing and polished, he talks the language not of Zen Buddhism but of modern portfolio theory, asset allocation and efficient markets. "I believe that shares have inefficient moments in the day when we want to trade," he says. "Whatever I buy, I generally like to sell by the evening."

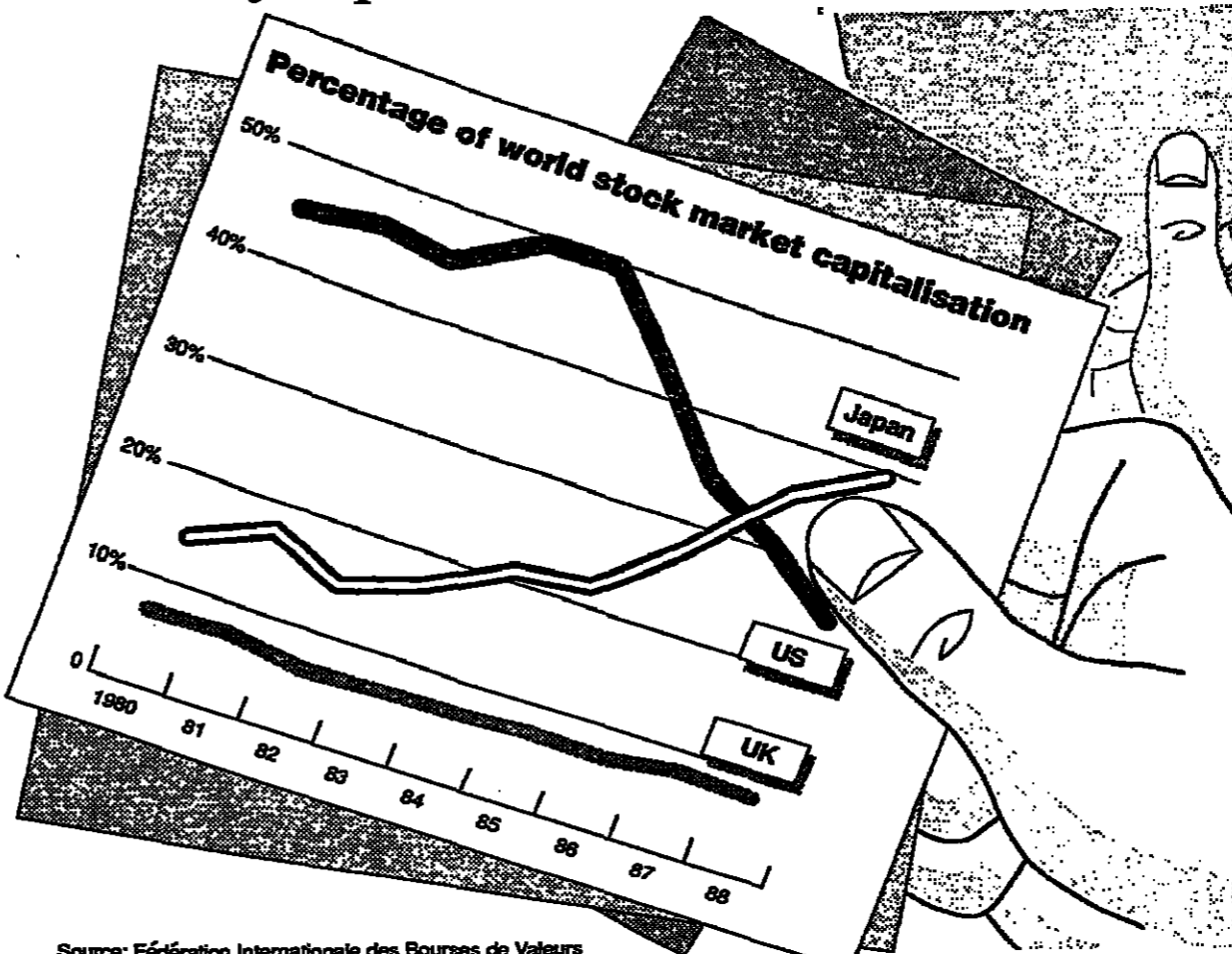
Mr Hasegawa became a celebrity in Tokyo as the author of a fund for three years until last spring, during which time he bought and sold the value of the portfolio 21 times. Like Mr Yoshida, he believed that the market was over-valued in August 1987 and reduced his equity portfolio by a third. Over the period, he achieved a total return of about 250 per cent, more than double the stock market average.

The importance of characters like Mr Hasegawa and Mr Yoshida is that they reinforce the image of the Japanese stock market as strange and exotic, in which the stratospheric level of share prices, and their fluctuations, are intelligible through traditional western tools of analysis.

In January, after under-performing the stock market average in each of the last five years, western fund managers effectively discarded their traditional theories, and their hands have been heavily in Japanese shares, typically at twice the price at which they had originally sold them.

In the months prior to the 1987 world stock crash, the consensus in the West was that the Japanese market was the most vulnerable to collapse. But when the market has risen 25 per cent above its pre-crash peak while most western markets are 10 to 20 per cent below theirs.

Until 1983, the prices of Japanese company shares were on average less than 30 times their current, annual



Source: Fédération Internationale des Bourses de Valeurs

Investing in the power of Zen

after-tax profits (earnings) per share, only moderately higher than those in the West despite the faster growth prospects for Japan. But since then the ratios have soared to between 60 and 70. Even after the share price of Nippon Telegraph and Telephone, hit by the Biscuit scandal, fell by more than 30 per cent, its market capitalisation was greater than the entire London stock market.

The shares of some of the railway companies that have emerged since the break-up and privatisation of the Japan National Railways are priced at more than 300 times not only last year's profits but this year's and next year's projected profits as well.

The figures are so high that some securities analysts have questioned the entire basis on which, since the 1950s, shares have been valued. Nomura Securities, the largest Japanese securities firm, ran an advertisement in the western press earlier this year claiming that price-earnings ratios were as outdated a method of analysis as the Ptolemaic theory that the sun revolved around the earth.

But those seeking a more rational, conventional approach have recently been provided with more ammunition by a series of studies published in January by the Japan Securities Research Institute and led by Mr Takahiko Wakasugi, Tokyo University's Professor of Finance.

Their basic tool of evaluation is the "q ratio," which expresses a share price as a proportion of the market value of the underlying assets per share of the company. Both NTT and the railways, for example, have fairly low q ratios because of their enormous holdings of land in prime areas

of the Tokyo and Osaka regions. For the market as a whole, the ratio is still reckoned to be only about 0.5.

But that explanation merely opens up another question: whether the prices of all assets in Japan - shares, land and even art - have become absurdly inflated. Real estate prices more than doubled in the city of Tokyo and the neighbouring areas of Yokohama, Kawasaki and Chiba prefecture during 1986 and 1987 before falling back slightly last year.

The valuations placed on land and on land-rich companies are high because investors expect substantial long-term gains from restructuring and putting the land to better use. The real question is whether these restructurings will boost earnings sufficiently to justify the high ratings.

The most popular justification for saying yes turns on interest rates in Japan. Because they have been so much lower in recent years than in the US or UK, shareholders can take a much longer-term view when assessing and discounting future profits. Higher price-earnings ratios are thus acceptable.

But the main reason that Japanese interest rates are so low is the current and anticipated inflation is low, just as it is in Germany, where price-earnings ratios are much more modest. Yet real long-term interest rates - which is what matters when projecting long-term real corporate profitability - are similar in all countries.

There is, however, a related argument which is more plausible. The average borrowings of Japanese companies, in relation to the (market) value of their assets, have become

much lower than those of US and European companies. Thus their earnings, after interest costs, are likely to be much more secure than those of western companies. This would justify a higher share price in relation to those earnings.

More fundamentally, several accounting adjustments have to be made to make the "earnings" of Japanese companies comparable with those in the West. Most of these adjustments boost earnings and lower the p/e ratio.

One adjustment is the most important adjustment. An estimated 45 per cent of the equity of stock market quoted companies in Japan is held by other quoted companies. This has two implications. It means that the claims that Japan has the world's largest stock market are overstated. This is because such calculations count many shareholdings twice over.

For example, the 5.3 per cent stake that Mitsubishi Trust holds in Kirin Breweries is counted once as part of the share capital of Kirin and once as part of the assets of the shareholders of Mitsubishi. If the double counting of all cross-holdings in the world stock market indices is removed, Japan's weighting falls to about 30 per cent (from 44 per cent) and the US rises to about 35 per cent (from 28 per cent).

Cross-holdings also inflate price-earnings ratios because they lead to an understating of earnings. Mitsubishi Trust, for example, does not include in its earnings 5.3 per cent of the earnings of Kirin.

Mr Andrew Smithers of Warburg Securities estimates that if the full earnings of Japanese companies were accounted for across the cross-hold-

ings, the price-earnings multiple would fall from 60 to about 40. This explanation also fits in with the rise in price-earnings ratios since cross-holdings multiplied in the 1960s. But it does not really explain the post-1983 surge.

Other earnings adjustments stem from the nature of Japanese accounting practices. Generally, Japanese accounting practices are more conservative than those in the West, which leads to a number of other instances of the understating of corporate earnings.

● Depreciation. A Japanese company is only allowed to use an accelerated depreciation method for tax, for example, if it uses the same method in its internal accounts. In 1987, whereas only about 15 per cent of large US companies used a method of depreciation which was faster than straight-line, 95 per cent of Japanese companies did.

Some analysts have sought to correct this distortion by adding back the depreciation to the earnings and comparing multiples on that basis. This manoeuvre has the effect of almost halving Japanese multiples relative to western ones. But it is an over-correction. Japanese companies have large depreciation charges, partly because they write off and scrap their plant and equipment much more rapidly than in the West - and that is an important cost they incur to sustain their earnings.

● Valuation of inventory. About 40 per cent of US companies use the first-in-first-out method which has the effect of boosting earnings in inflationary periods whereas only about 15 per cent of Japanese companies do so.

● Bad debt reserves. Japanese bad debt reserves are high by Western standards. They are encouraged by tax allowances, and tend to lower Japanese companies' earnings by comparison with those of their Western counterparts.

● Low inflation. The very low rate of inflation in Japan also lowers Japanese companies' earnings relative to those of their Western competitors. This is because Western companies' earnings, computed on a historic cost basis, have been artificially boosted by relatively high inflation rates since the mid-1970s.

The overall effect of these earnings adjustments is to reduce the price-earnings ratios of Japanese stocks from 60-85 to about 25-30. This multiple is still twice as high as those in the West. The lower riskiness of Japanese shares and the greater growth prospects of the Japanese economy might justify a multiple 50 per cent higher.

But several puzzles remain. For example, many of the accounting adjustments should also be made to German companies whose shares are already traded on a low multiple of under-defined profits. Modern financial theory assumes that investors can freely move their money around the globe in search of the highest returns. If asset prices in one country seem overvalued investors will start selling those assets and drive down the price until equilibrium is restored.

The vast majority of the legal and regulatory obstacles to such mobility have now been removed, both for foreign investors into Japan and Japanese wishing to invest overseas. And foreigners have shifted their portfolios actively into and out of Japan over the last decade.

But the historic inhibitions on Japanese investment in foreign equities have weakened only slowly, creating a trap for the enormous pool of Japanese savings which has driven up the prices of shares and land. This factor, and the cultural differences highlighted by characters like Mr Yoshida and Mr Hasegawa, must explain some part of the high valuation of Japanese shares.

Power by the ounce

Britain has won a victory in Brussels. The Committee of Permanent Representatives to the European Community (that is, the ambassadors of the member states) voted yesterday to relieve the Troy weight system of its constraints.

True, it is not the same as a derogation. The battle may yet be fought. But the ruling is that the Troy ounce will continue to be authorised without a specific time constraint.

The British put a great deal into the struggle. Even committed Europeans joined forces in agreeing that the campaign to get rid of the Troy system in favour of going metric was pushing harmonisation too far. The City lobbied the Department of Trade and Industry, the Treasury and, not least, the Bank of England.

In the end, it was probably the Bank that counted most, for it sought and won support from the central banking community around the world. Even Brussels finds it difficult to stand up to that.

The Troy weight system was first used in the French city of Troyes in the 14th century. It became the main measure for denoting the weight of precious metals and gemstones. More recently, the Troy ounce became the internationally accepted measure for gold and silver. As every English schoolboy knows, one Troy ounce equals 480 grains, the basic unit of the system.

The threat from Brussels to abolish it sent tremors through the London bullion market. Abolition, said the London Bullion Market Association, would cause "expensive and unnecessary changes" to the way the market conducted its business. It also feared that the campaign to get rid of it had become tied up with a similar attempt to abolish the gill as a fluid measure, and that the ounce might be used as a bargaining chip. Still, all is now well, and the Prime Minister

OBSERVER

will not have to raise the matter at the next meeting of the European Council.

Protest mounts

An acquaintance recently in Peking was impressed with the great discipline with which the young student leaders organised the pro-democracy campaign from Tiananmen Square before it was put down.

Grading MIA student on secondment from Lambeth Council, she went hearing badges and stickers to exchange with the students for something more exotic. The Chinese students fell upon her collection with great eagerness and then went about their business bearing such messages as "Lambeth Nalge says No to the cuts."

On being introduced to one of the student leaders, she was awestruck by his bearing. He stepped from a tent at the heart of the square wearing alogan-daubed headband, and bristling with badges and Chinese symbols. In the centre of his chest, he wore a Lambeth Council sticker: "Water - Keep it Public, Keep it Safe."

Record stuff

The latest achievements accepted by the Guinness Book of Records include the Women's Society of the Winnetka Congregational Church, Illinois, raising \$170,139.76 in a one-day jumble sale on May 12 1988; Surendra Agharya of Jaipur, India writing 241 characters on a grain of rice on February 25 1988; and Philip Arthington of Portbury, Banffshire who tossed a pancake 262 times in one minute at Forde School on April 28 this year.

Hats off to John Evans and Derek Dennis who told jokes



"He liked the quiz shows, sweeps and repeats so much, he bought the company."

for 60 hours on the trot at Sandton City, Johannesburg, September 2-10 1988. Doesn't say how good they were.

Real Mandarin

Sir Alan Donald, our man in Peking, does not flap. His coolness under fire is all we have come to expect from British ambassadors in distant places.

More to the point, his decision to airlift British citizens out of the capital and to send embassy dependants home tells us not only that Peking is now a dangerous place to be, but also that the outlook is bleak.

Donald, whose hobbies include water-colour sketching and gentle golf, is an Asian hand *par excellence*. He has had two previous postings in the Chinese capital (one during the disastrous Great Leap Forward) and speaks fluent Mandarin. A charming and funny man, he has tended to take a somewhat benign view of

the Middle Kingdom's stability. If his public pronouncements are to be believed, the events of the past two weeks will have caused as much of a shock to him as they have to the rest of us.

Mrs Thatcher, in particular, will remember when Donald, as Assistant Under-Secretary of State for Asia, advised her to instruct the Chinese leadership in the run-up to the talks which led to the agreement handing over Hong Kong in 1997. The Prime Minister ignored his advice, wagged her finger at Deng Xiaoping and sent the Hong Kong stock market into a tailspin.

Three weeks ago Donald berated the press for exaggerating the dangers of the situation. Perhaps he was unduly influenced by his staff, who refused to believe that British journalists were being kidnapped. The FT correspondent among them - had tramped into a column of tanks sneaking into the capital under cover of darkness.

Still there

Peter Walker, the Welsh Secretary, is still enjoying himself. Launching the plans for the 1992 Ebbw Vale Garden Festival this week, he recalled that he was the first Secretary of State for the Environment.

That would make Walker Secretary of State for Life, it was retorted. Walker, being a modest sort of man, says he vetoed the idea.

After Flanders

Graffiti in the reference section of a Hampshire public library: "They must have been looking for something to do. The day they put 's' in 'gnat' and 'gnat'."

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THE WEST LANCs PROJECT

POLITICS TODAY

Limitations of the UK conscience

By Joe Rogaly

What Britain is doing in Hong Kong should be plainly stated. It is handing some 8m people over to a Marxist, Leninist, thuggish, oppressive regime. That is the way it was put to the House of Commons Select Committee on May 24. The speaker, Mr Henry Kierulff, chairman of Matheron & Co Ltd, justified his use of the word "thuggish" by pointing to the suppression of the revolt in Tibet, the imposition of martial law, and the existence of political prisoners. Since he spoke the world has witnessed the massacre in Peking.

Britain is thus faced with a clear responsibility. The Prime Minister, Mrs Margaret Thatcher, knows that that responsibility is "Our first and greatest concern has to be for the people of Hong Kong," she told the House of Commons on Tuesday. "Our commitment to a secure future for them is as strong as ever."

This commitment is not being met. The principal reason is that Britain is impotent in the face of Chinese military power. This time we are not faced with a bankrupt Argentina invading the Falklands, nor even friendly Spain potentially putting pressure on Gibraltar. A Chinese army that would fire on students, its own people, could not be relied upon to hold back anywhere else, yet British military forces are in no position to stop it, now or in the foreseeable future. The lease on most of Hong Kong expires in 1997 and Sir Geoffrey Howe, the Foreign Secretary, never tires of repeating, there is nothing that can be done about that.

What can be done, in the British Government view, is based on hope - hope that after the present upheavals along with the 1987 and 1988 elections, a less unbridled regime will take power in Peking. In that circumstance it would be possible to resume talks about the Sino-British joint declaration on Hong Kong's future, with its paper guarantees of certain rights until at least 2047. The internal debate about whether or not to provide an elected government for the colony, and when, can go ahead now.

When I last visited Hong Kong, more than a year ago, the value of a democratic constitution was doubted by some businessmen and rather less academic. Judging by reports of the change in many areas, there is now a virtually unanimous demand for proper self-government. It would thus behoove Britain to adopt a robust democratic approach to both constitution-building and, when talks with Peking are resumed, the final act of the joint declaration. The Office pussyfooting can no longer be justified by reference to the unavailability of upsetting the Chinese Government, or even on the basis of hopes for this or that Sino-British deal or trade agreement.

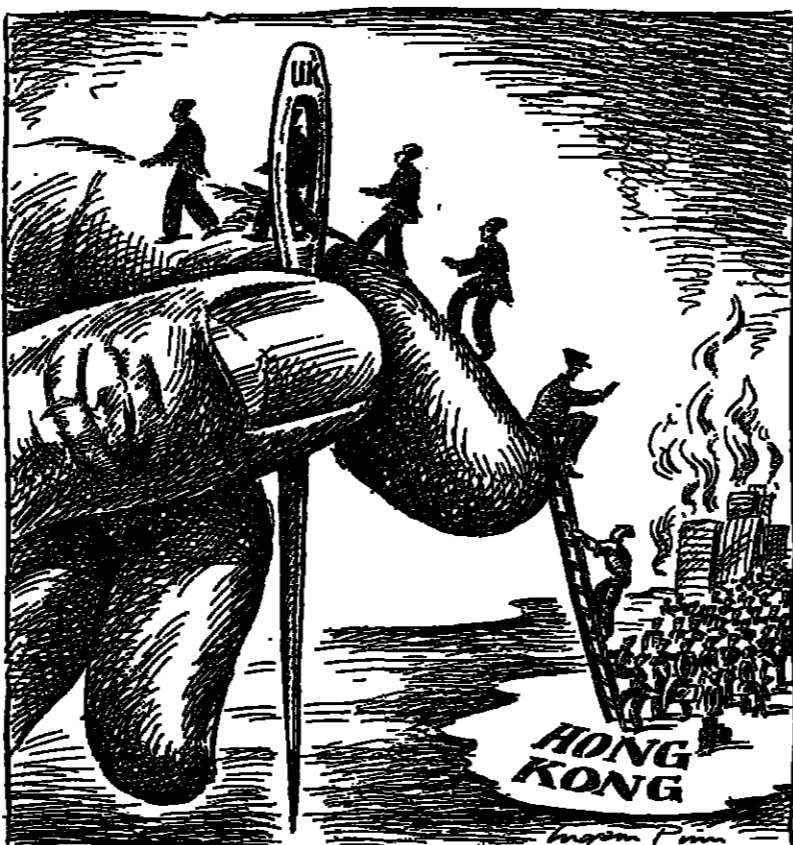
Such an approach should be forcefully pursued. It may indeed mean that influence a future Chinese regime - if at the time Peking is more anxious to cash in on the earning power of capitalist Hong Kong than it is to maintain its own unchallenged authority throughout its domain. It, however, the Chinese go through further periodic upheavals of

the kind that have characterised recent decades, we now know the danger. Joint declarations and Westminster-style constitutions may be swept under the wheels of advancing tanks. Hong Kong residents have witnessed the Cultural Revolution, the little red books, and the recent events. They can hardly be expected to bet their lives on a stable China after 1997.

Thus there is no getting away from it: they can only have a "secure future" if, at least, they have somewhere else to go. The Portuguese Government understands this. It has promised full European Community passports to the people of its colony of Macao, just across the bay from Hong Kong, before it is handed to the Chinese in 1999. In consequence, up to 100,000 Portuguese Chinese could enter the European Community, including Britain. The British Government will not follow this example, partly because the numbers are very much larger. It is thus refusing to contemplate the possibility of providing shelter in the United Kingdom for more than a tiny handful of the 3 1/2 million Chinese residents of Hong Kong who hold passports describing them as citizens of a British dependent territory. It only if it were 500,000, a nought less, one minister confessed this week, "we could look at the whole problem with quite different eyes."

There is some embarrassment about this among all parties in parliament. The rescue of the East African Asians was the last noble act of decolonisation even though the Asians who have come are an enormous asset to the British economy, nobody at Westminster wants to repeat the experience. Mrs Thatcher pointed out on Tuesday that since 1945 there have been 1.6m "new Commonwealth" immigrants to Britain. This is less than half the Hong Kong potential. She did not mention the far larger numbers of Australian, South African, Canadian and other white Commonwealth immigrants, let alone the valuable east European post-war refugees.

Arguments to the effect that most Hong Kong residents could not afford the trip to Britain, or that those who do want to emigrate prefer Vancouver, San Francisco or Sydney, are powerless against this fear. The conventional wisdom, that these are energetic, entrepreneurial, Thatcherite people wins them sympathy but not



the offer of citizenship. No attempt has been made to assess how many might seek to live in Britain if all of them were given British passports. The idea of an international rescue/insurance plan, co-ordinated with the EC, Australia, Canada, the US and others has not been canvassed. The Government, with the acquiescence of the Opposition, stands firmly behind its often-stated policy of limiting primary immigration, and no exceptions.

Or, rather, very few exceptions. Gibraltar and the Falklands are two. Their people have or can have British citizenship. The other exceptions help some Hong Kong emigrés. Anyone who wishes to invest £150,000 and provide at least two jobs can have a year in the UK to prove it, and a further three years if the new business makes a good start. A person of independent means (annual unearned income of

£15,000-plus) and "a close connection" to the UK can have a starter of four years. Highly trained and highly qualified persons might get work permits, depending on the current state of the labour market. After four years all migrants in the above categories can apply to stay indefinitely. The Home Secretary even acknowledges some small room for "flexibility" in applying these rules. The net result: in 1986 860 Hong Kong people were granted leave to stay. In 1987 the figure was 920; last year it was 1,150.

The official view is that concessions cannot be made to students or the 11,500 Indians and other non-Chinese in Hong Kong, because then everyone else would want the rules bent, would they not? There are, however, some other ways through. The most famous is Section 4(5) of the 1981 British Nationality Act, which allows the Home Secretary to grant citizenship

to civil servants from overseas territories. During the passage of the bill the Government promised to use this provision "sparingly." It has. There have been 499 applicants to date. Citizenship has been granted to eight.

Other concessions are equally small. So far 61 ex-servicemen have been granted citizenship under 4(5), and the Home Secretary has promised to look compassionately at war widows, although the official view is that these women intend to stay in Hong Kong if they can. For the rest, the response to all pleas has so far been a simple repetition of the no-immigration policy. (Some people would justify this by the argument that there are other hard cases elsewhere who have been caught by the immigration rules - although most of these are not threatened, as are the Hong Kong Chinese.) But Mrs Thatcher now favours more "flexibility" within the above rules. There is no plan to open the floodgates, which would require a new law. It is therefore not clear whether she is talking about flexibility that would potentially admit a few dozen, a few hundred, or all the 180,000 or so staff of the Hong Kong Civil Service, plus students, technicians, middle-managers, and others who speak English and have an understanding of British ways.

The probability is that the Government is still stuck at the needle-eye end of this highly selective wish-list. It may be moved to slightly greater openness by public opinion, and by powerful appeals like the one now being made in London by the Governor of Hong Kong, Sir David Wilson. But it remains firmly wedded to its belief that this is not a country for more immigrants, especially if they come by public opinion, and by powerful appeals like the one now being made in London by the Governor of Hong Kong, Sir David Wilson. But it remains firmly wedded to its belief that this is not a country for more immigrants, especially if they come by public opinion, and by powerful appeals like the one now being made in London by the Governor of Hong Kong, Sir David Wilson.

If the pressure continues, and uneasy consciences prick, there will be more debates about a decent-sized annual quota of permissions for Hong Kong Chinese to enter and live in Britain. Over seven years such a quota would have to be enormous - even 50,000 a year would exceed the number of Commonwealth immigrants who currently arrive in Britain. By 1997 that would account for a tenth of Hong Kong's British dependent territory citizens. On the basis of what was being said this week, 60,000 is not being contemplated. It should be. As to granting passports and a right of abode to all 3 1/2m, proponents of such a move must face the fact that if the insurance was cashed in - if fleeing Chinese arrived in such large numbers - any imaginable British Government would almost certainly turn them back. Thus a general grant of passports could only be supported in the belief that it might help some of the recipients to use the quotas (if quotas there are to be), while others could more easily go elsewhere.

LOMBARD

Utopias past and present

By Michael Prowse

AN extraordinarily powerful and influential set of convictions about human destiny is losing its hold, claims Mr David Henderson, the OECD economist, in a lecture given at the Institute for Fiscal Studies in London.

In his student days, he mused, the onward march from capitalism into socialism was regarded almost as a fact of life. Developing countries saw socialism as the natural framework for organising economic and social life. Rich capitalist countries accepted the case for substantial and gradually increasing state ownership, participation and control.

Mr Henderson makes no effort to disguise his delight at the recent decline of socialism. Indeed, one suspects he views the revival of market liberalism rather as Victorian novelists viewed marriage: a state so obviously desirable as not to require further discussion.

But his lecture is curiously incomplete. If, as he argues, socialism is such a defective doctrine, why did it exert so much influence over so many dreams as fading, what convictions about human destiny are taking their place? Where, in short, does modern society think it is heading?

Socialism captured the imagination because it offered an enticing conception of social and economic progress. It promised not just a great increase in material wealth, but a world where incomes would not depend primarily on individuals' arbitrary endowments of financial and genetic capital. It also talked sense about freedom, which can be measured only by the choices individuals have the power to exercise. The range of choices is profoundly influenced by a person's economic means.

The socialists saw economic growth as a means of liberating human beings from the chains of "materialism". With higher productivity and no fetish about the need to produce ever-increasing amounts of goods, people would be free to spend more time pursuing non-economic goals and generally realising themselves more fully.

Capitalism, by contrast, seems to offer a rather insipid future. It envisages no release

from an endless cycle of competition, innovation and production. Economic output just goes on piling up for ever. Yet despite the projected abundance, there is no commitment to increased equality. Quite the contrary: incentives are regarded as an essential motor of growth, and they require inequality.

But the commitment to inequality means that poverty will never be eradicated. It will be institutionalised. Once a minimum standard of living is attained, people feel poor if they have less than their neighbours. If a trip to the Asteroids becomes a typical weekend jaunt in the 21st or 22nd century, those who cannot afford extra-terrestrial travel will be considerably poorer (And they will not be comforted by the thought that they are better off than the poor of 1989).

This is not intended as a joke. In his recent speech, The End of the Road for Poverty, Mr John Moore, the Social Security Secretary, pointed out that 70 per cent of the poorest fifth of the population have a colour television. He said this to try to demolish the idea that large numbers of people are still living in poverty. Whether poverty is the right word to describe their condition matters little: the important point is that the UK is manifestly a divided society.

Take a walk around Mr Moore's suburb of Wimbledon. You will see grand residences and mean terraced housing. The prospect capitalism offers is of an endless succession of perhaps wealthier but similarly divided societies. The persistence of social division in the US, which is a more advanced capitalist economy, illustrates the danger perfectly.

Capitalism is riding high. But I suspect Mr Henderson and Mr Moore are from the champagne prematurely. It is doubtful whether hard-nosed economic liberalism will have the capacity to inspire people for more than a relatively short period. You don't have to be an eastern mystic to recognise the limitations of a philosophy built on the twin pillars of materialism and inequality. *"A New Age of Reform?"*

LETTERS

Cap could be lifted

From Mr Michael Elton.
Sir, Lord Vinson's letter (June 7) is based on two fundamental errors. The National Association of Pension Funds (NAPF) has not opposed the capping of £80,000 on an individual's pension tax relief, but has suggested that it be linked to earnings rather than prices.

Lord Vinson says that the Confederation of British Industry (CBI) is accepting the cap, when in fact it is proposing that it be increased to £100,000. This is no criticism of the CBI. There is more than one legitimate point of view. Lord Vinson says that the NAPF "must duck the social issues." With respect, the social issues are far wider and deeper than his letter implies. Michael Elton, Director General, NAPF, 12-18 Grosvenor Gardens, SW1

Tangled APRs

From Mrs Elizabeth Stanton.
Sir, The Retail Credit Group is not "casting the banks for their charges" (Letters, June 2). Retailers simply argue that the price of current account overdrafts should be presented with a total annual percentage rate (APR) so that the price is readily apparent: it is for customers to decide whether they will pay it. The Consumers' Association has demonstrated how variable costs can be. A common method of presenting the price of similar products would make for fairer competition. A "typical APR" based on a set of common assumptions, including a standard balance, would provide a realistic solution. Barclays plastic card products do have lower APRs; so they should - they are subsidised by merchant fees from retailers. This area is fraught with cross-subsidisation. In "free" banking, the interest-free period on credit cards is subsidised by those who borrow; cash customers subsidise card users. Retailers and bankers alike await the Monopolies and Mergers Commission report on bank credit cards. Elizabeth Stanton, Director, Retail Credit Group, 2 Ridgmount Street, WC1

Managing employment law

From Mr Richard Brown.
Sir, Your report (June 2) that Mr Norman Fowler, the Employment Secretary, is considering new legislation to curb unofficial industrial action, again raises the point that employment legislation needs managing. London Underground's reluctance to pursue those responsible for recent stoppages reveals the difficulty in implementing,

managing and policing such legislation. Instead of more legislation, a straightforward option is to repeal that part of the 1988 Employment Act which prevents trade unions from disciplining members. To date this has allowed them to disclaim all responsibility for unofficial industrial action. Richard Brown, 14 St Paul's Terrace, SE7

Shifts in the Soviet Union

From Mr Vyacheslav Kostikov.
Sir, Your correspondent Quentin Peel has joined millions of others in watching the progress of the first meeting of the Congress of People's Deputies. Everyone is agreed that a tremendous start has been made on the difficult but now irreversible process of the creation of a new Soviet society. Never in Soviet history have public opinion and social institutions changed so quickly.

The policy of perestroika has given a strong impetus to opening the powers of the government and Party organisations. According to the current Soviet constitution, the Communist Party is a leading and guiding force in Soviet society and the nucleus of its political system. However, the evolution of the political system began in 1986, towards giving all powers to the soviets (councils), is gradually shifting the centre of political weight towards representative bodies. As soon as the Congress of People's Deputies began it became clear that it would become a significant new stage in this process. Some deputies have suggested drafting "a law on the Party." This idea will be, of course, formalised in any way at this Congress. But the very fact that such an idea was aired at all is quite significant. The Party is already giving up its control over the economy. All economic departments of the central committee have been disbanded. The only spheres where the Party is determined to preserve its influence is ideology and personnel policy.

This and many other questions await resolution. What is clear is that this first meeting has set precedents that anger well for the future. Vyacheslav Kostikov, Novosti Press Agency, 4 Zubovskii Boulevard, Moscow, USSR

Consequences of debt sales

From Mr Tim Congdon.
Sir, Brian Reading (Letters, June 7) questions my statement on the monetary effect of government debt sales to non-banks.

When a non-bank agent buys government debt, it writes a cheque which instructs its bank to transfer money to a Government account. This is achieved by the bank making a payment from its balance at the Bank of England to one of the official accounts categorised under "public deposits" in the Bank of England's returns. Contrary to Mr Reading's argument, the Government does not have to "do something" with the money. After the various entries have been completed, the bank has lower assets (that is, a reduced balance at the Bank of England) and lower liabilities or the money supply.

I was certainly not claiming that, if the Government sells government debt to non-banks and simultaneously buys back the same quantity of government debt from them, there are any monetary consequences. But that is hardly surprising. Tim Congdon, Gerrard & National Holdings, 8 Lombard Street, EC3

The sound of silence

From Mr Paul Dawson.
Sir, Without the confidentiality clauses, would the Blue Arrow and Next agreements have generated so much publicity? Paul Dawson, Granville & Co, 8 Lovell Lane, EC3

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Shareholders' Funds	£1,103m	Up 21.2%
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NEWPORT A TOWN TRANSFORMED

Tehran seeks improvement in relations with Moscow

By Tony Walker in Tehran

IRAN is seeking improved relations with the Soviet Union in an early sign that Tehran may pursue a more open policy towards the outside world after the death of Ayatollah Khomeini at the weekend.

Satanic Verses, Ayatollah Khomeini said that the book defamed Islam. Mr Rafsanjani commended the Soviet Union for the withdrawal of its troops from Afghanistan, and for its statements that it was anxious to place its relations with Iran and Iraq on an "equal footing."

Foreign economic attaches believe it will be impossible for Iran to finance a huge reconstruction bill without some form of external borrowing. They say that Iran's annual oil income of \$11bn this year falls well short of requirements for reconstruction. Iran has nominated the next 10 years as the "decade of reconstruction."



Speaker Ali Rafsanjani at yesterday's two-hour press conference

Collor takes early lead in Brazilian race

Ivo Dornelles charts the first skirmishes in the presidential campaign

A FULL five months before Brazil's first presidential election in 29 years with the whole electorate enthralled, Mr Fernando Collor de Mello, the youthful dark-horse candidate, is rapidly becoming a verb. "Have you Collorised yet?"

As one hostile politician put it recently: "The only person who can defeat Collor now is the man himself." No one should put that beyond him. Given his reputation as something of a playboy - when here in Rio, far from the poverty-stricken north-east - there are hopes among his opponents that his past may catch up with him.

The one other crucial factor that could trip up Mr Collor in his early sprint towards the presidential sash is the economy. Eyes in Brazil are now fixed in horror on the southern neighbour, Argentina, though a very different and weaker economy, has appeared through the last four years to be just a few months in front of Brazil in the losing battle with inflation.

As bad as some fear, in November the electorate could choose to pass power to an older, more experienced politician who might have some chance of winning a measure of Congressional support. There are now unconfirmed but highly credible reports that President José Sarney is considering a constitutional amendment to hand over power on January 1, three months earlier than the rules lay down.

Investors are certainly worried about all those things which Thorn ought to be proof against: interest rates, slower economic growth, a collapse in consumer spending, Thorne's rental and music businesses are supposed to be counter-cyclical, on the principle that consumers will rent what they cannot buy, and that most teenagers prefer music to food.

ABB in deal to re-equip Soviet power stations

By Quentin Peel in Moscow

ASEA Brown Boveri, the multinational power engineering manufacturer, has been brought into a joint venture already contracted for the re-equipment and modernisation of Soviet power stations, agreed between the Soviet Union and Ansaldo, the Italian state-owned power equipment supplier.

The urgency of the Soviet negotiations appears to have been dictated by a critical power shortage in Armenia, coinciding with a rapidly growing popular backlash against nuclear power across the country after the Chernobyl disaster.

Walesa sees Polish Communist officials in post-election talks

By Christopher Bobinski in Warsaw

MR LECH Walesa, the Solidarity leader, yesterday met Polish Communist officials for the first time since last Sunday's elections in which the Government suffered a crushing defeat.



Walesa: met Interior minister

Only two members of the national list managed to win election, official results published yesterday show. One was Prof Mikolaj Kozakiewicz, a 65-year-old sexologist from the Peasant Party (ZSL). The other was the head of the National Administrative court, Mr Adam Zielenki, from the Communist party.

Stora to sell match, razor units

Continued from Page 1

affected by rising sales of disposable razors. Stora's results for the first four months of 1989, also announced yesterday, showed the Swedish Match division performing strongly, lifting operating profits from SKr88m to SKr1.28bn, compared with SKr1.27bn.

The main reason for Stora's success lies in the continuing strong demand for all forest industry products, but in particular for pulp, newsprint, fine papers and packaging. Stora Cell, the pulp marketing division, continued to show a strong performance.

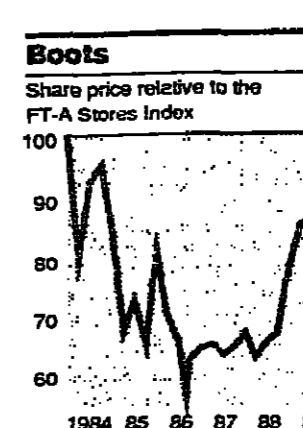
The Stora News division benefited from an expansion of newspaper capacity at its mill in Kvarnsveden by 340,000 tons annually. For the first four months its operating profit rose to SKr271m compared with SKr235m.

The company also announced that there had been a satisfactory performance in its building and interior products manufacturing units - Swedcor, Stora Kitchen and Tarkett though demand for these units dampened down in the US, Denmark and Norway.

THE LEX COLUMN

Good gasman, poor payer

British Gas must be one of the very few Triple-A rated corporations in the world selling on a prospective multiple of 7 and yielding 6 1/2 per cent. A few of the big banks such as Barclays are less highly rated, but there are good reasons for this, connected with their appetite for capital and ability to lose shareholders' money.



year, it is simply not the stuff of which glamorous market performance is made. The shares have managed to go almost nowhere relative to the market since the Thorn recovery story began four years ago; they should better that performance in the near term, but not by a lot.

Boots

retail sides are too intimately linked to be broken up. But though the proportion of retail sales supplied by the industrial division is still increasing, the pure ethical side is detachable, and could fetch a fancy price even in the absence of a glamorous new drug.

Midland Bank

Midland Bank's financial performance may be improving, but it has a very long way to go; and as a skilled market operator like Lord Hanson will attest, there are easier ways of making money than putting in clearing bank shares.

while, the idea that he is selling out because he needs the money urgently for the big bid may be right, but the sum is of marginal relevance in the context of Hanson's £2bn cash pile. If the Hanson stake had been passed on to another bank, the market would be correct in sentencing a contested takeover bid. But if it has indeed gone to the KIO, the implications for Midland's share price are less clear.

Thorn EMI

It sounds a backhanded compliment, but in a sector which yesterday saw one broker make a massive profit downgrade for Amstrad, investors can at least be relatively confident that Thorn EMI is not storing up heart-stopping news for the future.

Gateway

The ease with which Isosceles picked up another 10 per cent or so of Gateway yesterday suggests that its confidence is well founded. There is now an impression that Gateway is resigned to its fate, and if - crucially - the institutions are now resolved to accept 210p in the absence of anything better, Isosceles has nothing to lose since a higher offer would only mean that it pocketed the difference.

WORLD WEATHER table with columns for location, temperature, and weather conditions.

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FINANCIAL TIMES SURVEY



North West England has been recovering and unemployment has been falling rapidly. But behind

the hype by people who have been "talking up" its attractions lies a basic, intractable problem of economic structure in old areas. Ian Hamilton Fazey reports.

Engine in need of more thrust

THERE ARE signs of substantial economic recovery in the English North West. Unemployment has been falling continuously for 34 months — and at an average rate of 5,900 a month during the half-year to April.

Companies, many of them national leaders headquartered in the region, are making good profits. Increasing demand for corporate finance and venture capital has encouraged further growth of Manchester's stand-alone finance sector. Chambers of commerce report buoyancy and confidence, despite a recent slowdown.

Peat Marwick McLintock, the accountancy firm, has just reported that 84 per cent of companies turning over more than £1m in the North West think prospects for the region are "very good" for the 1990s.

A regional identity seems to be emerging, overtaking traditional rivalries between the two great conurbations of Merseyside and Greater Manchester and standstillness by the shire counties of Cheshire, Lancashire and Cumbria.

A dozen big companies, led by Mr John Ashcroft of Coleridge, are to launch a costly joint promotion of the region. Never before has the North West spoken so confidently

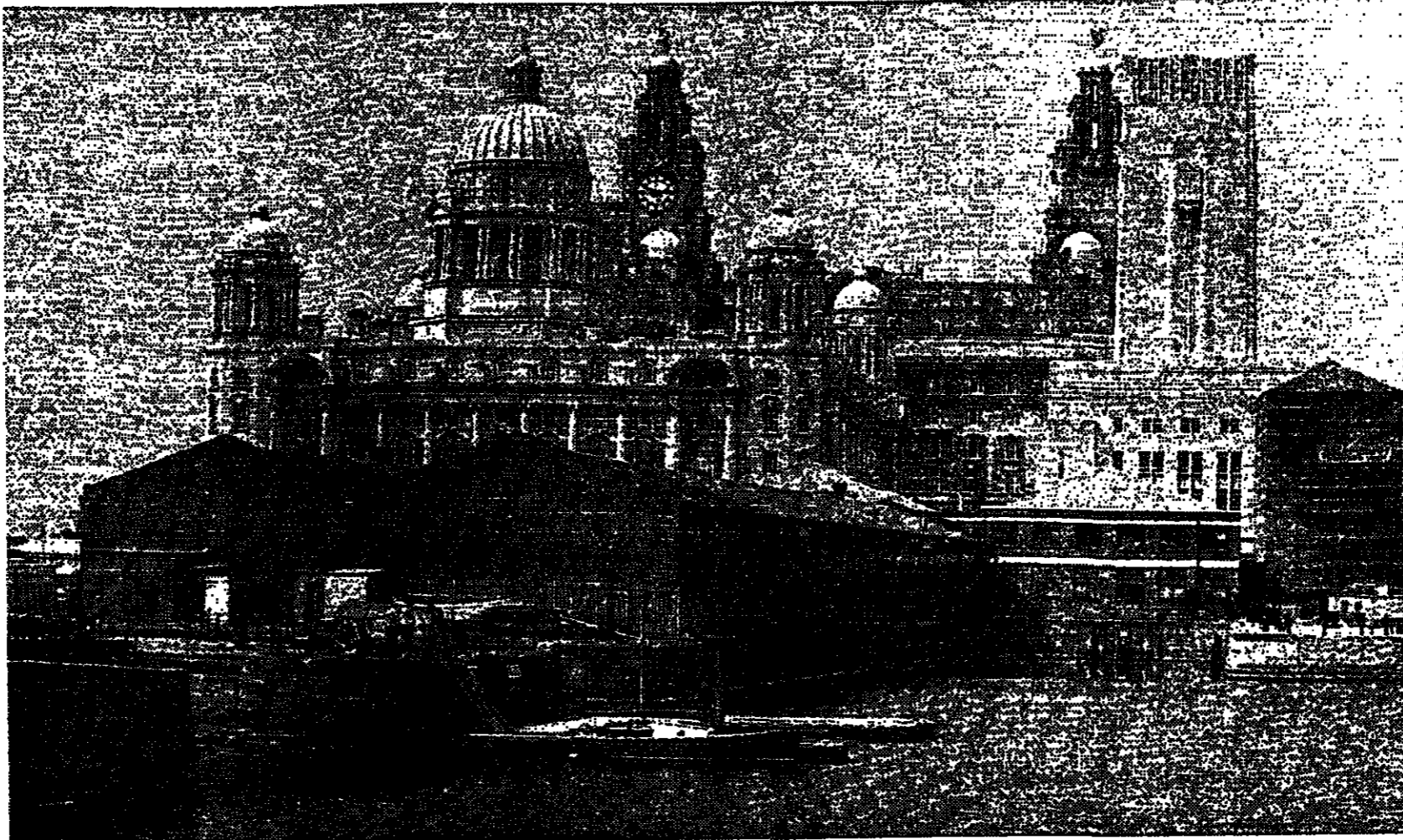
and with one voice, talking up its successes and playing down its problems.

Effective propaganda for potential inward investors should not be allowed to obscure deep problems too big to ignore in a balanced analysis of the region.

Nearly 7m people live in the North West — 13% per cent of the UK's population and about 2m more than in Scotland. The region contributes 11 per cent, or about £34bn, of the UK's gross domestic product. It is one of the engines of the economy, as might be expected from its leading role in building British industrial society in the wake of the industrial revolution.

The economic structure with which it was left is the principal cause of the North West's problems today, but another was the recession, when it lost 383,000 — or 34 per cent — of the 971,000 manufacturing jobs it had only 10 years ago.

This compounded Merseyside's structural problems in particular as branch factories shut down. Male unemployment there — which stood at 20.8 per cent in April — remains the largest patch of concentrated joblessness in Britain.



North West England

Mr Chris Haskins is chief executive of Northern Foods which, although headquartered in Hull, operates along the M62 corridor and manufactures in the North West. Last month he told a Bradford University conference on the transpennine regions: "The north has been doing well, but so has the rest of the economy. If you can't make money at a time like this, you never will."

The patchiness of recovery worries him; the struggle of the north's more peripheral areas to match the recovery of the centre, which comprises the better balanced economies of Greater Manchester and West Yorkshire. He wants more planning.

"As a businessman I am a planner by instinct," he says. "There is no way that market forces can develop society. We need to achieve a proper balance of planning between private and public sectors. It is much more important to have

a business like mine up here than a property developer."

There is no shortage of property developers, however, and no one wants them to go away. Amec, Parc, Peel, Bennett, Lovell, the Carroll group and Cresta from the Isle of Man are among the vanguard. Scores have shown an interest in central Manchester's plans for a new concert hall and associated developments.

The area around Manchester Airport is another magnet for them. So is the recently disused northern dockland of Liverpool, where several schemes are likely to transform the fortunes of the Mersey Docks and Harbour Company, once a symbol of Liverpool's economic malaise.

The Government-backed development corporations of Merseyside, Trafford Park and Central Manchester are vital players in much of this, clearing and assembling land — or persuading others to do so —

promoting partnership between public and private sectors, and lubricating deals judiciously with public funding.

Nevertheless, the North West is losing inward investment because of a shortage of suitable sites and premises.

Mr Ken Medlock, chairman of Inward, the Government-funded north-west agency for attracting new industry from overseas, puts the value of such missed opportunity at £37m over the past three years. The projects, spread over a wide range of industrial sectors, would have created more than 1,400 jobs.

Some sources in Manchester's growingly important finance sector are worried that demand may fall. The inflation rate is not helping employers resist higher pay settlements, which will in turn fuel yet more inflation if there are no matching productivity gains.

Meanwhile, the exchange rate is not helping exporters,

while high interest rates are prompting all businesses to tighten up cash flow, stock levels and borrowings. Many have been making good profits and may well have scope to absorb some of the pressures by letting margins erode, but one leading member of the banking community in the region thinks the situation is approaching a knife edge.

The combined effects of the pressures, plus tough foreign competition, have already precipitated a crisis in the textiles industry. There have been redundancies — though mainly of women workers, so the effect has not shown much on the unemployment statistics. The most notable recent manifestation of the industry's difficulties has been the agreed bid by Coats Viyella for Tootal — in effect, a merger of Manchester's giants.

Mr Charles Price, who runs the Manchester office of N.M. Rothschild & Sons, the mer-

chant bank, says: "Rents are still high enough to allow redevelopment of derelict sites, refurbishment projects, and new building. Development activity has been spreading, which is good news because the environment is being enhanced."

"But high interest rates are now a serious threat. House prices have not declined but the residential market is slowing. This will be a dampener on economic advancement."

The North West's patterns of unemployment provide the most telling commentary on the forces at work in the region. There are two major concentrations, one in Greater Manchester, which has about 39 per cent of the region's 272,000 unemployed, and one on Merseyside, which has 33 per cent. The other 28 per cent is spread through the three shire counties.

In spite of appearances, Merseyside's is by far the worse

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Liverpool's Pier Head buildings: a symbol of rebirth?

KEY FACTS

Population:	
Greater Manchester	2.58m
Merseyside	1.46m
Lancashire	1.33m
Cheshire	0.95m
Cumbria	0.47m
Workforce:	
Men	1.21m
Women — part-time	0.49m
— full-time	0.61m
Self-employed	0.29m
Unemployed	0.20m
— long term	0.12m
Average weekly earnings:	
Men	£231
Women	£153

problem because it has fewer than 1.5m people compared with Greater Manchester's 2.5m.

According to Government's statistics, the North West's overall unemployment was at 9 per cent in April. However, the rates for men and women were 11.5 per cent and 5.8 per cent respectively.

The 8.4 per cent of Merseyside women registered as unemployed contributed to an overall rate of 15.2 per cent for the conurbation, disguising a male rate of 20.8 per cent. The good news is that it was nearly 26 per cent in September 1987, so there has been an improvement.

However, other areas have performed better — and they started from considerably lower peaks as recovery began in 1986. Compare Merseyside's overall rate of 15.2 per cent in April with Greater Manchester's 9.6 per cent, Lancashire's 8.3 per cent, Cheshire's 7.4 per cent, and Cumbria's 6.8 per cent.

The picture becomes even more startling when unemployment patterns are analysed via the smaller travel-to-work areas. Liverpool's male rate is 20.8 per cent and, again, the worst. The best male rates are

Continued on Page 10

The Outlook For Investment Is Excellent

Tripling the size of Merseyside Development Corporation's area provides exciting opportunities for investment.

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NORTH WEST ENGLAND 2

Ian Hamilton Fazey analyses the changing economic infrastructure

Much more local added value

THERE ARE now at least 50 dedicated venture capital managers in Manchester running 15 locally-based funds between them. Merseyside can add another four funds, with their associated managers increasing further the pool of specialists in the region.

The figures may seem puny by London standards, but Mr Charles Richardson, Manchester regional director of Investors in Industry (3i), says they show the North West has been crossing significant thresholds in the past two years.

Deals that used to be handled in London are now processed locally, certainly for amounts up to £10m. "We are doing more and more sophisticated deals out of this office," Mr Richardson says.

The size of the local venture capital industry is something of a yardstick because it reflects demand and growth and it is an indicator of continuing change. Industry has been recovering from recession and entrepreneurs - mostly running private companies, but with a steady stream of them floating publicly - have been looking for capital.

Parallel with this has been investment and growth by bigger, publicly-quoted companies which have weathered the recession. They have needed to raise capital nationally but have demanded more easily accessible local professional services to help them, instead of relying on London.

This has helped Manchester to emerge even more strongly as the regional capital, with a growing financial and professional services sector of entrepreneurial venture capitalists, bankers, solicitors and accountants.

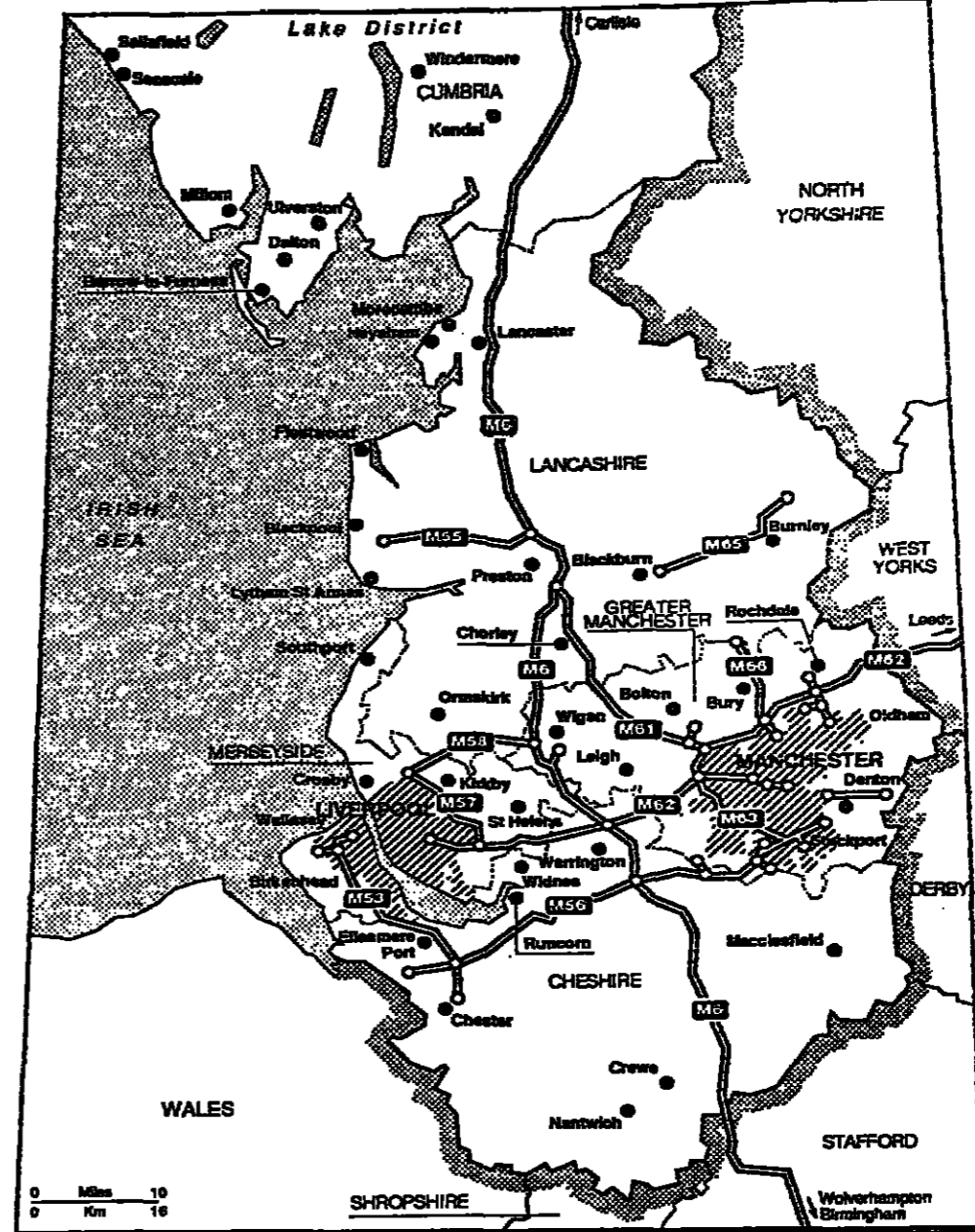
Two more international banks are expected to announce their arrival shortly to bring the number of all banks in the city to nearly 50. N.M. Rothschild & Sons has added five people to its Manchester operations in the last year to take its staff to 30.

"That's a lot of people in merchant banking terms," says Mr Charles Price, the director. "We would not be doing this other than on the basis of some very good figures we have in front of us."

As an industrial sector, finance was already the fastest growing in the North West by 1985, when its contribution to the region's gross domestic product had risen by 39 per cent over its 1971 levels. The trends that were apparent then have not changed much.

Then, only two other industrial sectors were growing: public and other services - up 22 per cent in 15 years - and distribution, which was up 6 per cent in the period. Agriculture was down 25 per cent, manufacturing by 17 per cent, transport and communications by 16 per cent and construction by 9 per cent.

Nevertheless, manufacturing was still the biggest sector by far, contributing 33 per cent of regional GDP, followed by public and other services (24 per cent), distribution (15 per cent), and finance (13 per cent). This order remains, especially as most of the manufacturing sector's survivors have been expanding for two years and helping to fuel the growth of



engineers in its energy and automation division now. Most will move to Manchester, where about 250 are likely to be needed during the next few years. Siemens will recruit nationally, as well as training local young people.

However, a shift will take place within the Siemens group which will be of more widespread economic significance. Siemens is transferring production work from West Germany to Manchester to turn the UK business into a worldwide exporter.

"We are committed to increasing local added value in the UK. This means much more engineering and our enlarging the manufacturing base. We are not going to be an importer," Mr Meloch says.

The effect on the local economy will not stop there, for the new Manchester premises will incorporate a customer training centre which will do 10,000 man-days of training per year. All of the people involved will need local accommodation and services while there.

"We expect to double our turnover to £200m a year by 1992 and we expect to employ between 5 and 7 per cent more people each year," Mr Meloch says.

A different, but similarly symptomatic type of restructuring of a high technology business is already under way elsewhere in Manchester - at all places, at the BBC.

The BBC is one of the symbols of London-centralised Britain. While its north-west region has not broken away completely, it has been given and has seized a degree of autonomy that is changing many things.

Mr Hugh Williams, the head of broadcasting for the region, has adopted a similar approach to Siemens when it comes to local added value. Before he came in three years ago, BBC North West was a series of wasteful parallel bureaucracies, all reporting separately to London "with money falling through the floorboards," as he puts it.

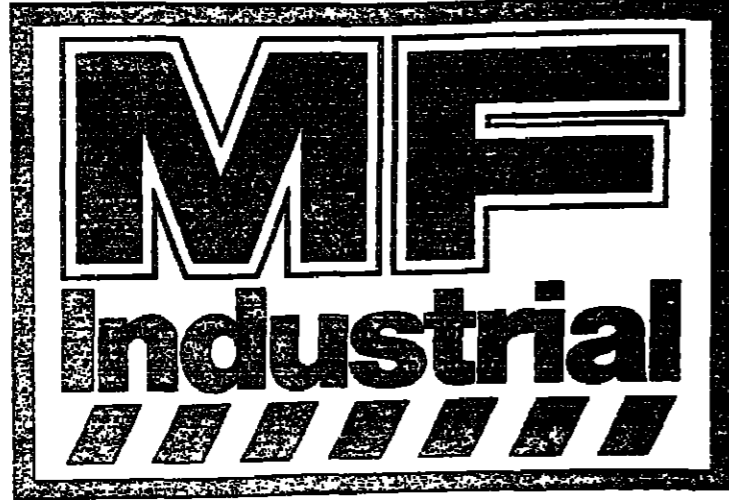
Mr Williams, a former deputy head of current affairs, runs a £40m a year budget, half of it overhead. He sees the BBC standing at the heart of the region's affairs.

The BBC has to be part of the community," he says. "There is less stand-offishness here. We can build bridges London never can."

He admires the way Granada Television - the independent opposition channel - has dug its roots into the region". He adds: "We have tried to prove that region: are not backwaters of the BBC but are significant units."

Important changes are under way. Mr Williams is merging the region's radio and television news-gathering services to optimise the use of resources

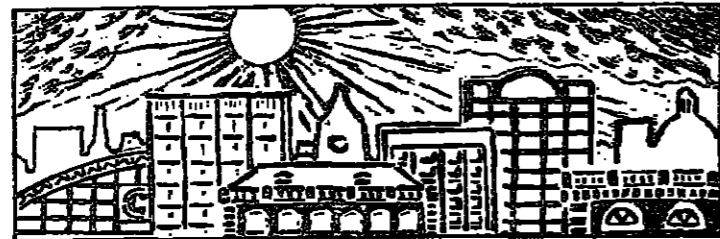
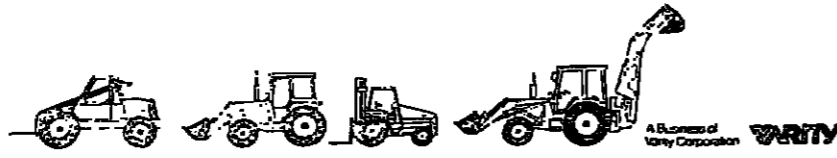
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What is significant about this mix in itself, however, is that it is a broad one. This matters because it meant the region has a diverse base on which to rebuild as Britain's economic recovery ripples northwards and westwards.

The effect has been felt most in the area with the broadest base - Greater Manchester - and least where the base is narrowest - Merseyside - but it has been real, fuelling demand that has created a stand-alone venture capital industry which was non-existent six years ago.

Overall unemployment figures suggest that the worst may have been and gone. The shake-out of jobs in the aftermath of recession was basically over by 1985, when numbers employed in north-west manufacturing had fallen from 971,000 people in 1979 to 638,000, a loss of 333,000 jobs in that sector alone.

By coincidence, this figure almost equates to the total number of unemployed in the region in April last year. By last month the figure had fallen to 272,000. The fall averaged 5,900 a month in the six months from last October, with job gains in all sectors. The degree of restructuring is difficult to quantify, but

anecdotal evidence abounds. A feel for the overall picture is provided by Siemens, the West German electrical engineering and electronics giant, which looks like becoming one of the North West's more important strategic examples of growth.

Siemens set up a workshop in Congleton, Cheshire 10 years ago. Its business was low-voltage switchgear and the bulk of its customers were in the manufacturing industry of Greater Manchester and the West Midlands. Congleton allowed easy access north or south.

"But the industry we came here to service was largely wiped out in the recession," says Mr Bernd Meloch, the chief executive of what is now a thriving energy and automation division.

When he arrived in 1983 the business was turning over £25m a year and looking like a candidate for shutdown. Instead, Siemens decided to change strategy and hang on. It channelled investment into electronics.

Sales are now up to £100m and there are 1,350 employees spread between Congleton, an electricity meters factory in Oldham and in sales and support around the region. The company has launched a big expansion programme. It thought of doing so in Congle-

ton, but would have had problems. Unemployment in that part of Cheshire is below 5 per cent and labour shortages would have made life impossible.

It is therefore expanding in Manchester, where £12m is being spent on the first phase of new premises. Operations will continue in Congleton, where extra offices may be built, but the Manchester site will be developed for a wide range of activities, including the business's headquarters and main engineering functions.

One reason, Mr Meloch says, is to achieve a higher profile in the region through greater visibility. Congleton, a few miles off the M6, gets little through traffic - and none that could find Siemens, tucked away in a dip on an industrial estate, without a map.

The move will also help redevelop Manchester's pool of skills. Siemens employs 170

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GREATER MANCHESTER

Strength from a diversity of priorities

GREATER Manchester draws strength from its 10 metropolitan districts which together form a unique conurbation. Unlike Birmingham, Liverpool or Leeds, the City of Manchester does not particularly dominate matters. Bury to the north and Stockport to the south have been steadily gaining population since the present borders were drawn in 1974. Manchester means a multiplicity of places, of industries, even of accents.

Some claim that the 10 districts have been working more closely since the former county council was abolished in April 1988. Without Big Brother, the community of interests can be easier to sell. The lead roles on the Association of Greater Manchester Authorities (AGMA), and on the Manchester/Salford/Trafford bid for European funding, have gone outside Manchester itself.

Strength is also weakness in the sense that the city centre, though a great employment magnet for the districts, must compete with major retail attractions such as Bolton, Oldham and Altrincham. Out-of-town superstores, yet to be approved by the Environment Secretary, will further complicate the equation. But parochial allegiances are being eroded by a realisation that the county area, and the North West, has a struggle on its hands to maintain even its present modest place in the aggressive Europe of the 1990s.

A person well-equipped to assess this struggle is Mr Alan McGarvey, managing director of Greater Manchester Economic Development (GMEED), the agency created by the former county council to help indigenous business. Mr McGarvey, previously head of the Greater London Enterprise Board and a north-easterner by birth, can be dispassionate about what he finds.

"People look around and see firms or places doing well. Companies are generally still bullish. Because of the visible signs of recovery we are begin-

ning to believe our own hype and feel that problems have been solved. They haven't."

"Research shows a levelling out of capital equipment investment. There are doubts about added-value productivity per employee. Yes, there has been improvement in the area - but no more than elsewhere and we are losing ground to some other regions."

Manchester, Mr McGarvey agrees, has to be a strong contender in the race for relocation investment. But is it the right sort of relocation? "Top people seem quite happy to transfer clerical jobs; they are less so when it comes to research and development, as for themselves, they will make sure to keep their jobs and the power in London."

Part of his mission, Mr McGarvey implies, is to shake the complacency bred by soaring commercial property prices. He warns of the fickle nature of London-based developers. More seriously, he foresees major opportunities being lost around the county - where there is any amount of potential industrial land - because the private sector is unwilling and the public sector unable to put together packages requiring substantial infrastructure investment.

"There is no evidence to show that the private sector can handle land assembly. Land banking is happening, with developers hoping to obtain planning permission for B1 (high-tech and office) use when the demand is for industrial sheds. Meanwhile the local authorities are running out of sites to market. Unless the land issue can be handled, there's not much point in us all singing Greater Manchester's praises."

An opposite viewpoint comes from Simon Sperry, chief executive of the Manchester Chamber of Commerce and Industry. Mr Sperry has the advantage of a cool eye, having arrived three years ago.

"I'm sure it's a real revival," he says. "Manchester is differ-



Out of the old Manchester docks came Salford Quays which helped to create a different image

ent from Birmingham and the other big regional cities. It had to cope with a withdrawal from international prominence when it was the centre of the world textile industry. There has not just been restructuring; it also involved the acceptance that Manchester is now simply a major metropolitan centre.

"I arrived towards the end of the recession, and have only witnessed recovery. But what comes through to me is the broad base of the Manchester economy. I also see regeneration on a big scale with masses of opportunity. We have the

Manchester means a multiplicity of places and of industries

combination of huge investment growth and, for the moment, cheap space on offer.

"Manchester has a different feel to it than the other regional centres. Birmingham, for instance, is big enough on its own to dominate the Midlands. The city of Manchester doesn't overtake the county or the region in the same way, yet Manchester is the nearest thing we have to a northern capital."

Mr Sperry believes what Greater Manchester needs is an economic strategy, with the 10 districts forgetting their differences and pooling resources. "It's here the local authorities must take a lead. Local government is a vital partner in development, but in a strategic or supportive role rather than providing services."

But the slimming down of economic development units around the county districts suggests it is Mr McGarvey's voice that is being heard. Emphasis is switching to provision rather than promotion.

All over south Manchester, where the greatest pressure is, pockets of land are cropping up and being passed off as business parks. Manchester itself is

marketing several sites of up to 10 acres each in the Wythenshawe area, close to the airport. Mr Colin Fishwick, from the city's economic development team, reports he is handling more relocation inquiries than ever before.

At Tameside, the arrival of the M66 Manchester outer motorway, now linking with the M67 Hyde bypass, and the likely privatisation of North West Water, have brought about the possibility of a regional business park based around the Audenshaw reservoirs.

The site is under feasibility study by Bernard Thorpe and Building Design Partnership and awaits a development brief, but Sandy Booth, Tameside's economic development officer, believes his council will be favourably disposed. Sailing amenities in the reservoirs might even be linked to Manchester's Olympics bid.

Tameside's other major initiative is a proposed Channel tunnel freight terminal at Dukinfield where the council, in association with a developer, is about to make the remaining acquisition needed to complete the 43-acre site. Mr Booth sees Dukinfield as the prime Greater Manchester candidate, and believes because of its location the terminal could also be of interest to West Yorkshire freight forwarders.

Rochdale, too, has a site identified for a strategic business park at Kingsway, close to Junction 21 of the M62 where it would have its own access. The 400-acre site is largely still in multiple private ownership, but Mr John Goss, Rochdale's economic development officer, says the planning concepts are coming to fruition and that a number of developers have shown interest in forming a consortium. Mr Goss feels that City Grant should be available at Kingsway to help with infrastructure.

Rochdale finds its sustained activity over the past couple of years has left few available sites but, at 12 per cent, rela-

tively high unemployment. Oldham has lower joblessness and a wide spread of employers, but is faced with major reclamation before sites like the former Chadderton power station can come into play.

Oldham's best-known new site is at Hollinwood, where the Maxwell Communications Corporation has a £42m printing centre replacing Withy Grove in Manchester. Plessey has built a microelectronics research facility at Hollinwood and F&L Siemens is manufacturing electronic flow measurement devices. Siemens is also about to build a new regional headquarters for its energy and automation group at West Didsbury.

Bolton recently completed an economic strategy review looking towards 1992 which takes into account the improving, but still problematical, employment climate and dwindling local authority resources. The borough still has large numbers of redundant mills and older properties where space is on offer for as little as 5p (sic) a square foot.

In Stockport development pressures look likely to send the borough into the next century without much backtracking. Stockport plans a small but significant high-tech park on what was once a problem housing estate but has become a communications dream with, the blurb says, the motorway on the doorstep. BR's electrified London line three minutes away and Manchester Airport six minutes (allowing for poetic licence).

Stockport already has the lowest unemployment in the county at 5.6 per cent and claims a ready supply of labour because 40 per cent of the workforce commutes. The borough's buoyancy, and its individuality (try the market on Saturday morning for country produce and local colour), points up Greater Manchester's potential once structural demands are met head on.

Robert Waterhouse

MANCHESTER'S INNER CITY

Planners in search of a new image

AMID optimism about Manchester's role as the North West's regional centre, problems of its inner city areas - shared between Manchester, Salford and Trafford - prove persistently hard to solve. All the activity in the commercial core, the development corporation projects and the enterprise zones has as yet little relevance to the pool of long-term unemployed who exist in substandard housing estates with crumbling health care and declining social services.

This inner city area is still home for some 300,000 people, despite huge population losses during the sium clearance programmes of the 1960s and early 1970s. Unemployment rates have run at more than twice the national average for the past eight years.

It is hardly surprising that many regional centre jobs are beyond the reach of inner city residents. In fact, residents comprise just one quarter of the workforce, typically in low-paid or part-time posts. They participate in a dependency culture: an estimated 40 per cent of their personal income is derived from state benefits.

With the clear-out of Manchester's inner city and its industry came structural change in employment sectors. Between 1971 and 1984 the number of manufacturing jobs halved to 70,000. This reflected the dramatic decline of Trafford Park and East Manchester and the loss of many small businesses. Even service jobs fell by 11 per cent; the only growing sector was financial and professional services, at just three per cent.

Inner city malaise is not a numbers game. The percentages represent an all-too-harsh reality, whose contrast with the dynamic city centre is there for all to see. The Victorians built high-density terraces for the working classes within spitting distance of Manchester's centre, but protected middle-class sensibilities by lining the main routes into town with shopping facilities. Even now, planners talk about greening rail corridors and major routes like the A6 to improve image.

Image, of course, is crucial in enticing investment to the

fringe areas. And environmental works have a measurable impact. Much of the initial cash spent by Trafford Park Development Corporation is going into landscaping. Central Manchester Development Corporation has a major challenge in improving first impressions of the city from Piccadilly Station. Manchester badly needs public open space which adds to its amenities and does not simply collect litter.

Salford was faced with a different dilemma. Strictly speaking, it had no city centre. The inner areas were too close to Manchester. When the larger, metropolitan borough was created in 1974 Salford shifted its administrative base to Swinton.

The city's bid for a different image has focused on the cre-

projects, new business development and training services.

After a lengthy gestation process, which included rewrites at Brussels' behest, the programme was signed by the Inner Cities Minister, Mr David Trippier, and agreed in principle by the European Council of Ministers last autumn. Meanwhile, the Community's priorities have been changing to reflect the accession of less developed Mediterranean economies. There will be less on offer to the older industrial areas such as Manchester and Merseyside.

So MST, along with Merseyside (who have a parallel bid) and other UK mainland areas await the outcome of renewed debate between Brussels and London. Officially, they remain hopeful of receiving the full amounts; unofficially they will probably be pleased to obtain 60 per cent. As to the time-scale, realists are talking about final approval by the end of the year - which makes nonsense of the 1988 costings (1988 and 1989 in Merseyside's case).

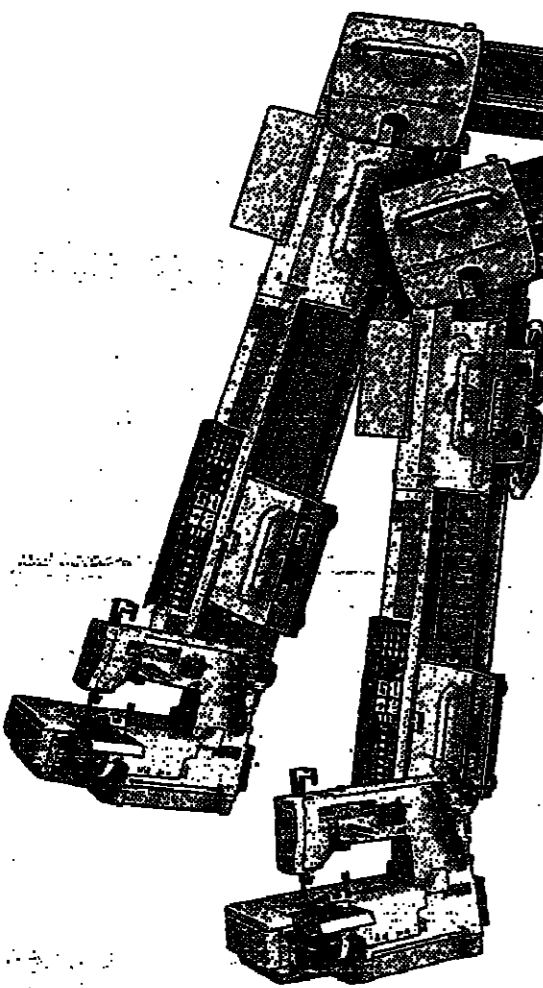
And if Brussels should back away, then a body of Manchester opinion feels the Government is duty-bound to fill the funding gap on projects which have Whitehall's blessing.

An important element of MST is the partnership it represents between three local authorities of disparate character. Manchester, the big sister, has a city centre bursting with commercial activity run by a Labour council whose effective opposition comes from within. Salford elects an old-fashioned Labour council, apparently prepared to back any measure which brings prosperity to the city, while Trafford is narrowly under Conservative control after a parental revolt at plans to scrap the grammar school system.

As the two UDCs begin to show results, as better communications in East Manchester open up major sites, as the Metrolink supertram is built and the universities develop direct involvement in local industry, the inner conurbation could start to mirror the city centre's energy and the affluence of outer suburbs.

Robert Waterhouse

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NORTH WEST ENGLAND 4

LANCASHIRE

Turnaround in fortunes

LANCASHIRE begins as the urban conurbations of Merseyside and Greater Manchester end. A sprawling county of less than 1.5m people, it spreads from Skelmersdale in the south to Carnforth in the north, from Blackpool in the west to Colne in the east.

Much of the population is concentrated around a central industrial belt from Preston to Nelson, an area with an urban aspect at odds with the surrounding towns and villages.

Visitors seeking evidence of the decline of traditional industries will not go away disappointed, but their predominant impression may be of a county that has emerged confidently from a historic realignment of its industries.

A terraced house in Blackburn can be had for as little as £10,000, but at Clitheroe, a 20-minute drive away, a similar house will go for £40,000. In some of the more suburban villages around Lancaster, and in parts of Lytham, prices can be as high as those in the south.

The early part of the decade was one of severe industrial retrenchment. Output fell twice as fast as anywhere else

and productivity fell to 15 per cent below the national average. Between 1982 and 1985 Lancashire's performance was below the average for manufacturing nationally.

The problems were structural. During the 1960s, the Lancashire cotton and allied textiles industry had 150,000 employees; today there are probably fewer than 25,000. Despite widespread job losses in other industries during the early 1980s, unemployment in most areas is now comfortably below 8 per cent.

The turnaround began in 1986, when total output of Lancashire manufacturing expanded by an astonishing 11 per cent, at a time when growth nationally was minimal.

The increase was due largely to the aerospace industry, based around Rolls-Royce aero engines at Barnoldswick and BAe at Samlesbury. The industry, which accounts for one-fifth of the county's manufacturing output, increased productivity by 50 per cent in a single year. These increases have not continued on the same scale, though steady year-by-year improvement has brought manufacturing output

to above pre-recession levels.

A more fundamental and impressive change has been the decline of an expanding manufacturing base as a proportion of total industry.

The growth of the service sector in the county has been considerable and, although in certain parts of north-east Lancashire more than 80 per cent are employed in manufacturing, the figure for the county as a whole is now less than 33 per cent.

Tourism, based around the resorts of Blackpool and Morecambe and the Bowland Forest, is now the area's fastest growing industry. Europe's largest theme park is planned for Accrington, where tourists will enjoy the dubious delights of indoor, real snow ski slopes. Along the Leeds-Liverpool Canal, industrial heritage centres appear to spring up daily.

Preston, the county capital, has emerged as an important sub-regional administration centre, providing the county with financial and professional expertise. The new Fishergate retail centre is also challenging the shopping facilities of Greater Manchester.

The success of the policy of encouraging diversification into new industries has been due to political co-operation within Lancashire County Council and to a range of enterprise trusts, enterprise zones and first-generation development corporations at Skelmersdale and Central Lancashire.

The key input has come from Lancashire Enterprises Limited (LEL), the county council's economic development arm, which under Mr Jim Mason, chairman, and Mr David Taylor, chief executive, has proved remarkably adventurous.

Since its formation, in 1982, it has invested directly in dozens of companies and has helped hundreds of others through initiatives such as the Lancashire Regional Fund and the North West Regional Fund - both aimed at providing capital for small businesses. According to Mr Taylor, the agency has so far secured more than 8,000 jobs, a significant number within a total work force of nearly 600,000.

He puts the agency's success down to a willingness to take chances and a pro-active involvement in all aspects of economic development. "We

are quite unique, in that we offer property development, training, business expertise and investment. It is a comprehensive package of help," he said.

"I think we have also tended to take the long-term view, rather than aim for immediate success, and that has been a strength."

The belief that the Lancashire economy can only grow as part of the unified North West makes him an advocate of a regional development agency along the lines of those in Scotland and Wales. LEL is also ready to look outside the county for investment opportunities.

An attempt to rescue the Manchester-based North West Times, the regional daily newspaper, which closed last November, showed a somewhat audacious interpretation of the agency's role. This wider strategic view is likely to become predominant.

LEL is also one of Lancashire's largest developers, with more than 1.5m sq ft under development. This provides a rental income of close to £2m a year.

Politically, it has never been easy to read Lancashire. The county council is Labour-controlled, thanks to a couple of gains in the May elections, but in the more rural areas the Conservatives dominate. The three main party leaders on the county council are all women. On a national level, Jack Straw (Labour, Blackburn) and David Trippier (Conservative, Rossendale) provide the most public voices for the area's aspirations.

Many of these aspirations are the subject of fierce political debate. Conservatives will point to the thriving enterprise culture in the area, the increase in manufacturing output, and the resurgent service sector. Labour supporters see the pockets of high unemployment in the industrial towns, the disadvantaged large ethnic Asian minority in the north-east and below average levels of capital investment.

The real picture is probably somewhere in between, but even this represents a remarkable turnaround for a county where recession hit earlier and harder than anywhere else in the North West.

Martin Regan

CUMBRIA

Dual outlook stunts growth

IN 1974, the boundaries of Cumbria were drawn up from the former counties of Cumberland and Westmorland, part of Lancashire and a small trace of West Yorkshire.

Geographically, the changes appeared logical but the unique topography of the area has generally thwarted all attempts to create a unified county.

Many parts of the Cumbrian economy, particularly in the south, have closer links to Lancashire than to the rest of Cumbria, while the area's administrative centre at Carlisle looks towards the north-east for professional and service expertise.

This duality in outlook has not been missed by the Government. The county is regarded as part of the North West for most administrative purposes but for national statistics included in the northern region where its relatively low unemployment rate of 6.8 per cent can have the most beneficial effect.

The county is divided into six districts: Allerdale, Barrow-in-Furness, Carlisle, Copeland, Eden and South Lakeland. Carlisle, in the north, and Barrow, in the south-west, are the dominant economic and political centres, but are separated by the Lakeland fells.

The physical barriers to unity are perhaps less important than the spiritual. Few people from Barrow think of themselves as anything other than Lancastrians; the same is also true in South Lakeland.

Cumbria is not a farming economy and has less than six per cent of its workforce employed in agriculture, though in Eden this rises to 18 per cent.

Like other parts of the North West, traditional heavy industries have provided the staple jobs in the region. Shipbuilding, chemicals and shoe production continue to provide significant employment, as does British Nuclear Fuels Limited at Sellafield.

Although the service sector now employs 57 per cent of the workforce, much of this is down to tourism; there is little professional and financial infrastructure.

Tourism, in a county which has the Lake District National Park, Eden Valley and part of the Yorkshire Dales, is an important part of the economy yet its benefits can be exaggerated.

Tourism provides more than 22,000 jobs but closer examination of this figure reveals that fewer than 10,000 are permanent and that many of the seasonal vacancies are taken by outsiders.

In Barrow-in-Furness and nearby Dalton, 57 per cent of the workforce is employed in manufacturing. In Whitehaven, the figure is 54 per cent. This may be contrasted with the figure for Carlisle, which enjoys the benefits of being on the M6 industrial corridor, of just 29 per cent.

The west coast, from Barrow to Silloth, suffered badly from the decline of the steel and

coal industries and although things have improved this has been the result of individual initiatives rather than any overall strategy.

Cumbria County Council, a hung council with Labour and the Conservatives each with the same number of seats, has pursued a range of economic initiatives, but the poor spread of industry has made the main goal of diversification elusive.

Unemployment in Workington, at 12 per cent, has steadily declined from its high point of 7.5 per cent in the mid-80s. Much of the reduction is due to the council's regeneration of the former iron works at Derwent Howe into a retail and industrial park, a scheme which has so far created more than 700 new jobs. The area is part of the West Cumbria enterprise zone.

However, the most highlighted part of the county, the Raffles estate in Carlisle, continues to remain stubbornly unmoved by economic initiatives and has male unemployment rates of up to 30 per cent. In the more affluent towns of Kendal and Grange-over-Sands, unemployment is generally below four per cent.

John Burrett, the county's director of economic development, admits that the complexity of the local economy has made progress difficult.

"You can't really say Cumbria has an economy. There are a mix of industries and certain parts are over-dependent on single employers," he said.

"We have suffered badly from the decline of heavy industry but do not think that this will decline much further. There has been a lot of success in drawing new companies to the area because what we are offering is a quality product. We have a highly skilled workforce, particularly in places like Barrow and Workington and we need to sell on that."

The fortunes of Barrow over the past five years have been the barometer for the entire county. Unemployment has declined steadily to 7.1 per cent, mainly due to heavy capital investment by manufacturers in the early 80s.

VSEL, formerly Vickers, has spent an estimated £200m on improving efficiency, while further significant capital investment has been made by most other major employers. Glaxochem, of Ulverston, has recently announced plans for a £40m investment in its plant.

Central parts of Barrow do have unemployment rates of between 15 to 29 per cent but the economic picture is generally bright. The town's fundamental weakness is its dependence on one employer. VSEL employs more than 13,000, 50 per cent of the Barrow workforce and probably indirectly supports a further 2,000 jobs. The company itself is dependent on defence spending.

The 1988 strike at VSEL highlighted the town's vulnerability and led to the creation of technology transfer initiative. This involves VSEL, Furness

Technology Centre and the town council. The DTI is considering funding the initiative. Stuart Klooski, the council's industrial development officer, argues that although the problem is pressing, a range of initiatives is being undertaken.

"We enjoy good relations with VSEL and they are more than aware that something needs to be done. It will obviously be a long, slow process but things are moving," he said.

The more immediate threat to the local economy will come with the wind-down of the construction programme at BNFL, Sellafield. Although precise figures are difficult to find, around 5,000 Cumbrians are employed on construction work at the plant. By the mid-1990s, this figure is likely to be fewer than 1,000.

The number of small businesses in the county is growing, helped by the newly-formed West Cumbria Development Association, an enterprise trust formed to promote an entrepreneurial climate.

Tourism remains the strongest card in the county's hand and efforts are being made to spread the benefits away from the Lakeland core.

Project Furness, a £10m land reclamation at Barrow, will include a number of leisure and tourist-related schemes. Improvements to the A590 are also planned as an aid to tourist-traffic. "The priority is to take the pressure off the centre and channel it into Barrow and West Cumberland," explained Mr Burrett.

For an economy so over-dependent on a handful of employers, tourism remains the only short-term option. In the long term, the scale of the diversification needed to create a balanced economy may prove beyond the county, which has a workforce of fewer than 220,000.

Martin Regan

WHERE DOES THE NORTH WEST GET ALL ITS ENERGY FOR BUSINESS?

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Manweb

A different kettle of caviar.

"How civilised", thought Meredith as he noted the fresh appearance of the crisp linen tablecloth.

"Some restaurants of my acquaintance don't take as much care."

"The flowers are a nice touch too."

The steward who had met him at the door and shown him to his place re-appeared.

"Your usual tomato juice, Mr. Meredith, followed by fresh grapefruit?" He enquired with an acceptable degree of familiarity.

"And will you be taking the Full English Breakfast today, or the Continental Platter?"

Thinking of the busy schedule ahead, Meredith plumped for the English variety.

It duly arrived, garnished to his taste with mushrooms and tomatoes.

"Strange how one's appetite is enhanced when relaxed," he pondered, gazing out at the landscape whizzing past.

"The telephone is free just now, sir. Can I refill your cup for your return?"

The table cleared, Meredith opened his briefcase and went through his notes.

Satisfied, he turned to the newspaper and felt quietly gratified as the answer to 13 across came to him in a flash.

The complimentary orange juice and steaming hot towel arrived on cue.

"We'll be arriving in seven and a half minutes, sir. And there is a return Pullman service."

"I wouldn't miss it for all the tea in China," thought Meredith. "Not even the Lapsang Souchong."

PULLMANS RUN FROM MANCHESTER, LIVERPOOL, PRESTON AND WARRINGTON.

Pullman
INTERCITY

Added value

Continued from Page 2 while broadening journalistic flexibility and career opportunities for the individuals involved.

The BBC employs about 1,500 people in the region now. "But many more will work for us in the coming years," Mr Williams says - though not directly but through much greater use of independent production companies.

While the independents are seen as a threat to BBC centralism in London, "we see them bringing in new talent," he says. "The more work we can attract to the region, the more we are helping ourselves."

He sees Manchester as the metropolitan capital of the North West, in the same way that London is of the South East, creating work and spawning supporting services locally, not going to London for them.

By adding more value to the BBC's operations locally, he ensures that the regional economy benefits accordingly.

Such developments - whether at Siemens, the BBC or among the growing Manchester-led finance sector - are a growing form of regional autonomy, promoting a self-sufficiency that was not possible less than 10 years ago.

Career progression does not now mean an automatic drain of managerial, professional and creative talent to London. Smaller businesses are thriving in well-researched niche markets and can tap into regionally-based sources of capital for expansion, instead of going cap in hand, often unsuccessfully, to London funds managed by people who know little about the north.

Most of the people involved say that the restructuring of the north-western economy has some way to go and still needs to feel a little too much warmth from the South East not to shiver, but all agree any southern vision of the region as a vast branch economy is now very wide of the mark.

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Photographed at the award winning Kilbey Court, Wigan. Ideal venue for business lunches, conferences and functions.



NORTH WEST ENGLAND 5

LIVERPOOL

City centre revival is crucial to prosperity

"OUR image problem is about persuading people to look behind the stereotype." The words are those of Mr Eeva Coombes, leader of Liverpool City Council, but they could as well come from Mr Geoffrey Piper, senior Liverpool partner at Deloitte Haskins and Sells. Mr Piper heads the Business Opportunities on Merseyside (BOM) initiative, the prime aim of which is to involve decision-makers in the area. The public and private sectors have much in common, and much mutually at stake, in Liverpool today.

Their proposition, endorsed by the Merseyside Task Force (MTF), Merseyside Development Corporation (MDC), and Merseyside Chamber of Commerce and Industry (MCCI), is that the local economy continues to improve, as does the city centre. Labour relations are good, company profitability is outstanding, and opportunity beckons.

Confidence is all-important. In the aftermath of Hillsborough one detects a genuine desire by community leaders to work together. But problems lurk behind the joint facade. The most immediate may stem from a national dock strike, and the likely involvement of Liverpool dockers could annul years of close co-operation between management and workforce. Another problem centres on Mr Coombes's vulnerable position, especially with the 47 surcharged former city councillors eligible for re-election in 1992.

The agreed public relations stance tries not to mention that male unemployment runs at 21 per cent; that Liverpool has among many other problems a backlog of £300m on council housing repairs and 4,000 unlet properties; that it has more rented than owner-occupied accommodation; and that house prices are about half the national average.

Mr Keith Robinson, MCCI's director, sees impending tragedy in the docks. "We have close links with the unions and were rather saddened by the way the Government is arbitrarily seeking to end the dock labour scheme. It had to go,

but we would have preferred it to have been negotiated away." Mr Robinson has no doubts about the port. He relates how a few months ago the world's largest roll-on, roll-off cargo ship arrived at Seaford on a high tide. It was met by 1,000 Jaguar cars awaiting export on the docks, which were loaded in time for the ship to sail by the next tide. "That by any standards shows the efficiency of the docks," he says.

Mr Coombes, who practises as a solicitor each morning, runs a lively administration under constant factional threat at Municipal Buildings.

"I don't know whether it's politics which makes people so nasty or whether nasty people go into politics," Mr Coombes reflects. "With a bunch of egocentric politicians, myself included, you get alliances which are not just about who read Marx last. I was re-elected leader of the Labour group by a large majority last month. I will be elected again next year and the year after if I wish."

His stance reflects the pragmatism shown by Labour leaders around the north after 10 years of Mrs Thatcher. He accepts that central government cannot be defied on every count, shows a willingness to co-operate with MTF and MDC, and participates in BOM.

The council recently authorised Peat Marwick McLintock with commercial surveyors Drivers Jonas to produce a study of city centre development opportunities from a partnership between the public and private sectors, funded by an MTF urban aid grant of £50,000. Its findings are expected to reinforce the view that there is much to be gained by stronger links.

Mr Coombes starts from the belief that nothing effective can be done in Liverpool without city council involvement. It remains Merseyside's largest single employer at 31,000 people, with a policy of no compulsory redundancies. This means that if the council loses the bid for its own cleaning services this August it will have to redeploy the 4,000 workforce; if it wins, economies will mean fewer cleaners.

The council leader acknowledges the "havoc" caused by planning activities of the 1960s and 1970s which laid waste Liverpool's inner city. He adds that they were endorsed by all forms of government. Present actions seek to speed the recovery, for example, by helping link resurgent waterfront areas with the principal pedestrianised shopping streets.

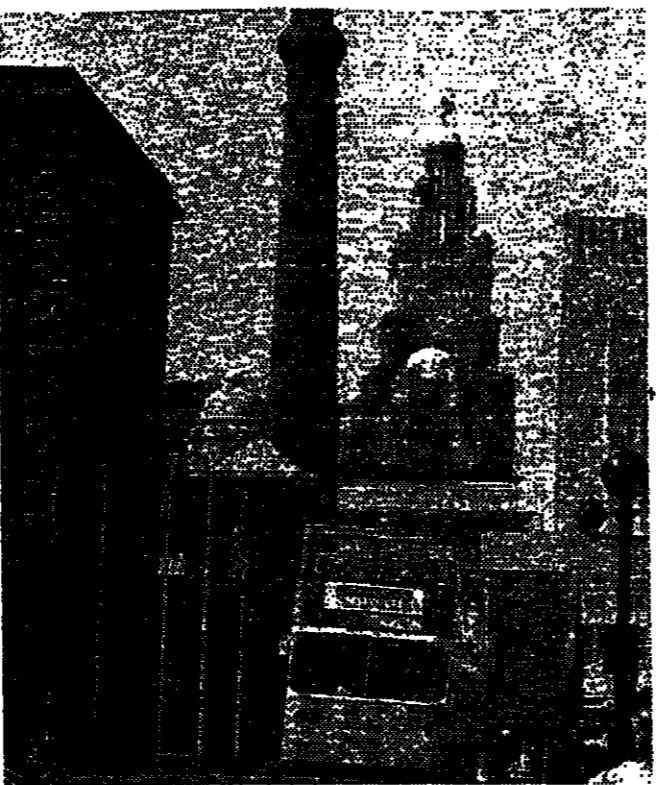
Some three years ago, when things were different, the council asked British Home Stores, along with others, to make a contribution to this pedestrianisation. "You must be joking," came the reply, "you're lucky we're still here." BHS survived to move into profit. Liverpool's role as sub-regional shopping centre was reinforced last year with the opening of the £50m Clayton Square precinct.

All agree that city centre well-being is crucial to Liverpool and Merseyside's revival. The days when professionals and businessmen could lock up at night, commute back to Caldy or Southport and forget about urban decay are gone. As Mr Coombes puts it: "If you allow the city centre to die you won't maintain prosperity in Caldy for much longer."

Mr Piper, BOM's chairman, new to Liverpool in 1986, was shocked to hear the city being talked down from inside. "It struck me how many business leaders were knocking the area from which they were hoping to derive their own income. We can't expect anybody else to promote Liverpool."

Mr Piper conceived BOM partly in good old-fashioned self-interest as principal of the city's biggest accountancy practice. Backed by the Liverpool Society of Chartered Accountants and other professional bodies, initially funded by MTF, its mission is to interest national and international executives, and their advisers, in Merseyside's business opportunities. "I felt, back in 1986, that things could move for the better. There were bargains to be had, a good, much-maligned pool of labour, and with the demographic changes starting this August it will have to redeploy the 4,000 workforce; if it wins, economies will mean fewer cleaners."

When Mr Robinson, of MCCI, came to Liverpool 10 years ago he was struck by its similarity to war-torn Belfast. He subscribes to the convention that Mr Michael Heseltine lit the lamp for renewal after the 1981 Toxteth riots (Mr Coombes sees Mr Tom King as a much more effective Environment Secretary). Mr Robinson believes 1987 was the watershed year, despite continued high unemployment his members have been generally optimistic since then.



Behind the façades of Liverpool, a newfound confidence exists

Although it is overtly a single-focus organisation, seeking to increase the profitability of existing companies and smoothing the way for dynamic newcomers, BOM has won acceptance from all five district councils. Trade unionists take part in a 70-strong steering committee, which meets every six weeks to offer guidance and playback.

He counters observations about the amount of dereliction still to be found in or near the city centre by claiming the same applies to London. "London attracts investment because of the City and its opportunities to make money. Liverpool also offers great opportunities. While we recognise the social and environmental problems our concern is to encourage investment."

Liverpool hung on to its service sector at the time when manufacturing companies were closing or leaving almost every week. Now, with the flow stemmed, the city's manufacturing base is healthy but narrow. This, Mr Robinson says, means that national trends are thrown into sharp relief. "We noticed a downturn in labour-shedding ahead of the national picture. My members have reported a buoyancy in exports for the last four quarters, where other parts of the UK were losing momentum." The chamber's survey shows continuing growth in export orders compared with a slight slowing of domestic demand.

Liverpool's overall unemployment rate remains stubbornly inflated at 15.8 per cent. Mr Robinson, for one, believes the jobs are or will be there for those people prepared to train or retrain. Almost a quarter of 159 member companies reported skill shortages in the first three months of 1989, while nearly half experienced recruitment problems. Compact agreements should take care of the next generation of school-leavers. The Robinson message to the unemployed is brisk: "It's no good whingeing. Spend some money, get yourself a skill; you'll find a job."

Robert Waterhouse

CHESHIRE

County of contrasts

THE Government's dislike of shire counties and Labour's intent to create regional assemblies pose opposite threats to Cheshire as an administrative body in its centenary year.

Mrs Thatcher seeks to curtail the counties because, she claims, they are too big to represent local needs; Mr Kinnock will be under pressure to sacrifice the counties to a regional tier of government if party policy adopts decentralisation. In the case of Cheshire both measures seem inappropriate. The county comprises eight vigorous districts, each with a distinct personality. County Hall, Chester, is a long way from Macclesfield or Warrington. Yet few deny its psychological importance and its day-to-day efficiency. Left to themselves, the districts would be pushed to provide the same level of services.

Regionally, the county already takes an over-riding North Wales is just down the road; Cheshire strides the M5 and the West Coast main line; it borders Merseyside, Manchester and the Potteries as well as claiming a slice of the Peak National Park. Cheshire's well-being is crucial to that of the North West as a whole.

Indeed, one could argue Cheshire's reputation for attracting and retaining major companies such as ICI, BNFL, Shell Chemicals, Vauxhall and British Aerospace is too important to the region to be discarded in the name of constitutional reform.

Cheshire has become a role model for the North West by contriving an equilibrium between manufacturing and service industry, between town and country, between employment and enjoyment. It is a county of contrasts, particularly between the affluent, upland east and the flat, over-exploited acres beside the Mersey estuary. Yet somehow it maintains a unity of purpose — reinforced in last month's county council elections when Labour remained the largest group but the Democrats held on to the balance of power.

Cheshire 2001, the revised structure plan document, was debated throughout the districts in a series of public forums early this year. Planners are still in the process of assessing comments, but it is clear that while there is public support for creating a chain of business parks along the M6,

for growth; the same cannot be said about Wilslow and Knutsford, where restraint policies operate, or Chester, where county and city wish to expand but conservation forces have massed to stop them.

Chester is in the throes of a gruelling debate, formalised by the publication of a draft local plan which proposes "rolling back" 1,000 acres of green belt to provide land for new housing and industry north and south of the city. This provoked the CPRE, who are treating Chester as a national test case for green belt under threat, to lead the opposition.

Following a public inquiry last November and December the Department of Environment-appointed inspector sided with conservationists in recommending that the plan reinstates green belt land.

However, Chester City Council looks unlikely to accept it.

Cheshire has eight districts, each with a distinct personality

Right rejection, particularly of the Tesco/Marks and Spencer superstore which, if granted planning permission, would bring an estimated £32m for infrastructure.

The county's shopping policy, ironically, is to support existing town centres. But it backed another out-of-town project, the Cheshire Oaks at Ellesmere Port, because it argued Chester's city centre could not cope by itself with future demand. Chester separated from the county to oppose this one, but the Environment Secretary declined to call the application in.

This spring the eight districts joined with the county council to stage a promotional London show they called Cheshire Coordinates. Attendance and interest ran high, despite a tube strike — which rather proved the point about the overloaded south-east. Cheshire's new Economic Development Officer, Mr Dave Collins, is confidently predicting major investment gains.

M56 corridors, relaxation of green belt and rural restraint policies to meet changed commercial circumstances in the countryside is not acceptable.

The county's farmers, known for their dairy herds, are learning to live with reduced milk quotas. For the first time in recent history there is a prospect of land being set aside. This, planners suggest, provides opportunities to use redundant farm buildings for recreation or light industry. More space also allows new housing at a lower density. But such ideas are already being reworked after clear disapproval by Cheshire residents.

Growth is the plan's principal theme. It makes provision for a further 40,000 dwellings by the turn of the century around existing built-up areas, with Warrington the main recipient. The county's roads are expected to become 40 per cent busier and widening of the M6 is proposed. A dualling of the M6 may be financed privately.

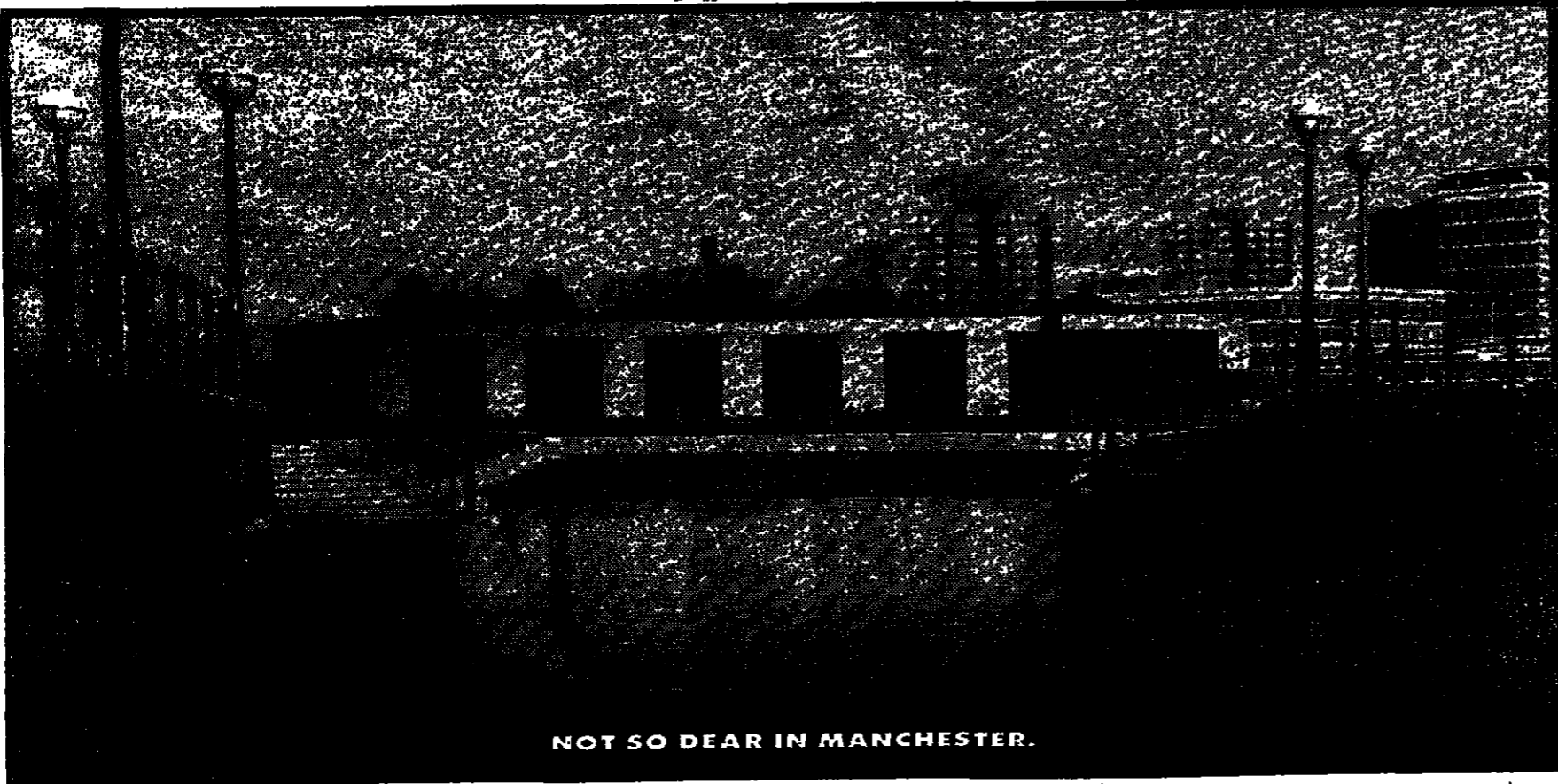
One much-needed bypass, the Handforth-Wilslow section of the A34, depends on a Tesco/Marks and Spencer superstore which, if granted planning permission, would bring an estimated £32m for infrastructure.

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Because it has the infrastructure, the success stories and a demonstrable quality of life, Cheshire is always likely to be on the list of companies considering the north.

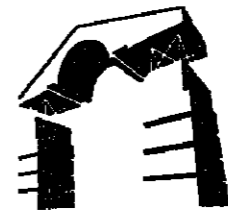
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NORTH WEST ENGLAND 6

The largest university campus in Europe

THE North West of England is home to the largest student population in Europe. Included in the area are the University of Manchester, Institute of Science and Technology, the Universities of Manchester, Liverpool, Salford and Lancaster and the Polytechnics of Manchester, Liverpool and Lancashire.

The tight squeeze on Government spending has focused the minds of all these institutions on the need to forge ever closer links with industry and commerce.

Manchester University

MANY of the older traditional universities have been slow to apply themselves actively to the needs of industry. This attitude existed until fairly recently at Manchester University, the largest non-collegiate university in the UK.

The university covers the whole range of academic disciplines from architecture to zoology, although it has traditionally been strong in medicine, social and pure science. Research grants and contracts absorb 17 per cent, some £17m, of the university's total annual income. The proportion of commercially-orientated research is increasing across all the disciplines. For example, the Architecture for Industry Research Unit is investigating how Britain's ageing industrial buildings are coping with advanced manufacturing technology.

Manchester University does contract research for companies and is also involved in col-

laborative ventures such as the European Community's Esprit information technology programme.

Last year, the 40th anniversary celebrations of the computer took place in Manchester, where the memory store computer was invented. The computer science department is one of the biggest and has very strong links with the information technology and telecommunications industries.

The university took two significant steps to promote closer links with industry in the early 1980s when it set up Vumen Limited and an Industrial Liaison Centre.

Vumen Ltd, is the University's commercial exploitation company and is responsible for transferring the results of university-based research into the commercial environment.

The Industrial Liaison Centre, based on the Manchester Science Park, acts as a resource and information centre for the Research Development Network, a new service designed to increase the level of externally-funded research.

The Manchester Science Park is unusual in that it is based in the centre of a city and it has a unique shareholding structure. The main shareholders are the city council, Manchester University and the University of Manchester Institute of Science and Technology (Umist). Minority shareholders include Granada Television, Fothergill and Harvey, Ferranti and Ciba-Geigy.

Dr David Cottam, general manager of the Industrial Liaison Centre, believes many of the other science parks are lit-

tle more than land development exercises. "To demonstrate their commitment, the University of Manchester and Umist actually put money into the science park," he said.

Phase 2 of the science park is due to open next month and is already more than 50 per cent let.

Manchester University successfully led the bid for the Centre for Exploitation of Science and Technology (Cest), which was set up in 1988 on the site of the Manchester Science Park.

Cest aims to identify key areas of science and technology from a market and industry standpoint. Research and development will be channelled towards those areas which seem most likely to be of commercial significance in the future.

Dr Robert Whelan, chief executive of Cest, said the centre would be a focus for companies and scientists who wanted to exploit science and technology in British industry.

Liverpool University

LIVERPOOL University fared well in two major assessment initiatives. It became one of the first universities to be awarded an interdisciplinary research centre (IRC) and its earth sciences department was classified as one of eight Group 1 type A departments.

For the past three years the university has been strengthening its ties with industry. Professor Graeme Davies, the vice-chancellor, is keen to encourage such ties.

Reports by Nicola Reeves

Part of the central strategy is to increase the percentage of income generated from research grants and contracts. This strategy is beginning to bear fruit. In 1984/1985 research income represented about 19 per cent of total income and has since risen to around 30 per cent, worth some £15m.

In February last year, the Science and Engineering Research Council (SERC) announced that an interdisciplinary research centre in surface science was to be established at Liverpool University. The SERC will provide up to £10m over the next six years.

Surface Science is of growing importance to the chemical and microelectronics industries. The IRC will liaise closely with UK-based scientific instrumentation companies. It will bring together researchers from the chemistry, physics and electrical engineering departments of the University of Liverpool, the Leverhulme Centre for Innovative Catalysis at Liverpool University, and the Department of Chemistry at Manchester University. It will also work closely with the SERC's Daresbury laboratory.

Liverpool University is also the site for the North West Regional Transporter Support Centre, an SERC/DTI initiative in the engineering applications of transporters, the latest high-tech microprocessor chips.

Professor Michael Delves is assistant director of the regional transporter centre and is also director of the university's Centre for Mathematical Software Research (CMSR). The university's centre was recently awarded two major EEC-funded research contracts worth some £800,000, for work in the field of parallel scientific computing.

The Merseyside Innovation Centre (MIC) has been set up jointly by Liverpool University, the Polytechnic and the old Merseyside County Council to assist start-up companies. Dr David Prior, director of the Research Support and Industrial Liaison Office, said the Innovation Centre is now established as the point of contact into small and medium-sized enterprises on Merseyside.

Professor Delves set up N.A. Software in 1975. The company's initial aim was to develop

and promote commercial, industrial and scientific applications for the software techniques being developed in the university. Recently the company has widened its interests.

New and Improved Technology in the North West (Nimtec), was initially set up about three years ago to promote the transfer of technology between industries. Eighteen months ago with the help of a government grant, Nimtec joined the eight higher education institutes to form a regional technology centre.

Salford University

THE benefits of close ties with industry and commerce is illustrated by the remarkable revival in Salford University's fortunes. Faced with a 44 per cent cut in its UGC funding in 1981, it had to adapt or die.

Professor John Ashworth, vice-chancellor, said: "The university, in effect, has had to be rebuilt during the 1980s. In the early 1980s we concentrated on building a network of mutually supportive relationships, particularly with local industry and commerce, because we knew that whatever else happened we couldn't recover from that crisis without external help and support."

What came out of this mutual supporters club was Campus, the Campaign to Promote the University of Salford. Campus aims to promote and develop two-way relationships between Salford University and external organisations.

Membership includes regular visits by the liaison officer to discuss ways in which the company and the university can help each other. Campus does not enter into specifically commercial agreements with its members; contract research and development work is passed to Salford University Business Services Ltd, with a staff of more than 100 and an income in 1988 of £5.2m.

Salford University pioneered the concept of integrated professors - senior managers of leading organisations who are also full university professors. British Aerospace, British Gas, British Nuclear Fuels, British Rail, Coopers and Lybrand and Unilever are all involved in sponsoring chairs. Funding from outside sources now con-

stitutes around 44 per cent of the university's total income. Salford's strategy is encouraging a higher calibre of student. The proportion of students graduating with a first class degree has more than doubled to 12 per cent.

With the growing awareness of the needs of industry, the university has overhauled much of its educational programme. Professor Ashworth said: "There is a real need for technological managers in companies generally, and the universities were not really addressing themselves to that particular need."

One course resulting from the overhaul, is the BSc in Construction Management, which combines civil engineering and management science and has been developed in partnership with nine of Britain's leading construction companies.

Similarly, the Information Technology Institute, set up in 1986, is 60 per cent funded by industry and combines teaching in computer science and management science.

An innovative programme of collaboration has been set up with local further education colleges. The first of these links involves Salford College of Technology. Students receive an initial two-year training, leading to a higher national diploma in computer-aided engineering. The university has guaranteed that at least a quarter of these students will enter the second two years of the programme resulting in an honours degree in manufacturing engineering.

Against competition from 10 other centres, Salford University Business Services Limited was selected as the site for the national Advanced Robotics Research Centre. The Research Centre has been set up as part of the Department of Trade and Industry's Advanced Robotics Initiative. The DTI is awarding a £5m grant.

Umist

IT IS fair to say that the University of Manchester Institute of Science and Technology's (Umist) raison d'être is to serve the needs of local industry and commerce and it has been doing this very successfully since it was founded in 1894.

Umist's departments span the whole range of pure and applied sciences and technol-

ogy with five major engineering departments as well as management, languages and linguistics. It offers the only university degree in paper science and has one of only two textile departments in the country.

There are 14 industrial units, where problems arising in many different sectors of industry and of the environment are solved by the application of the latest research findings. Umist has one of the highest proportions of research students. Figures released recently from the Overseas Research Students Awards Committee analysing the take-up rate of the awards, show Umist in third place, behind Oxbridge.

In September last year a wholly-owned company, Umist Ventures, was set up, which combined the activities of the industrial liaison office, which was set up 25 years ago, and the research grants and contracts administration. Mr Clive Rowland, commercial manager of Umist Ventures, sees the company performing three roles: the marketing of Umist's research and consultancy capabilities, technology transfer through patenting and licensing activity and through the campus company route and, finally, the research administration.

There are seven campus companies to exploit the technology that Umist is hoping to get to the market place. Some 20 patents are being marketed to a range of industrial companies.

The 14 Industrial units have been set up alongside each academic department to balance the academic and industrial workload of the staff. The largest unit is Capel, a corrosion protection centre for industrial services, which has an annual turnover of about £2m and is

soon to become a subsidiary of Umist Ventures Limited.

Mr Rowland sees Umist Ventures Limited as a natural evolution of what has gone before in Umist. Although Umist has a strong international reputation for its basic and applied research, Mr Rowland believes there is still work to be done in selling their expertise.

Umist earns about £13m, a third of its total annual income, from its external activities, such as research, testing and analytical services, consultancy, conference activities and technical and management training programmes. The high value equipment on site at Umist, attracts testing and analytical consultancy work from many small and medium-sized companies.

Around one quarter of all electronic and electrical engineering graduates in the UK come from North West campuses. A Centre for Electronic Materials (CEM) has been set up at Umist. The centre is funded by Umist, industry and government agencies. The aim of the centre is to undertake medium- to long-term research into electronic materials. Umist has equipment worth more than £3m devoted to this work and more than 50 projects are in progress.

The CEM collaborates with other groups in the university and a feature of the activities of the centre is the training and post-experience programme for staff already working in the electronics industry or in other universities.

With an eye to the future, Umist is in the early stages of a fund-raising campaign, through its Millennium Fund, which has collected some £3m. Its target is £25m.

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NORTH WEST ENGLAND 7

Manchester Business School

RESEARCH into the problems of management is the main activity at the Manchester Business School (MBS), which was founded in 1965, at the same time as the London Business School. MBS receives about 20 per cent of its income from the University Grants Committee and has an annual turnover of some £2m.

MBS is the Faculty of Business Administration at Manchester University and is renowned throughout Europe for its two-year Master of Business Administration programme. It has developed a system of training known as the 'Manchester Method' whereby students look at problems for companies.

At the end of the second year, students undertake a major business project which involves small teams travelling around the world for British companies, assessing markets, product launch possibilities and competition.

Despite having an international approach to all activities, the needs of local industry are not forgotten. Mr Russell Cialis, external relations director, said: "Because of our geographical location we have extremely strong ties with industry and commerce in the North West region. A lot of the big companies in Britain have large presences in the area."

A new degree course was launched last year - the Master of Business Management which is a postgraduate course for experienced middle managers with senior management potential. Companies are involved directly in the selection, teaching, supervision and assessment of participants.

MBS also offers a wide array of management development programmes. One such programme is the Business Development Unit which helps individuals create and develop significant new businesses and fosters entrepreneurial behaviour within established companies. Mr Cialis says in the last three years some 500 North West companies used the Business Development Unit.

The Executive Development Centre is the point of contact for companies or industries wishing to design joint activities to satisfy their management development needs.

There are exchanges with other universities in Europe and North America and there are plans to expand into Japan.

Earlier this year, Professor Tom Cannon was appointed the new director of the Manchester Business School.

Manchester Polytechnic

MANCHESTER Polytechnic was formally designated in 1970, but the history of the colleges which preceded it goes back more than a century.

Manchester Polytechnic is the UK's largest polytechnic, offering 300 courses. The Institute of Advanced Studies provides a centre where the polytechnic's skills can be brought together to examine problems of an interdisciplinary nature.

In conjunction with Umist, and the Universities of Salford and Manchester, the polytechnic has pooled its resources in the services of adult education and training, through the Con-hict programme which has received £250,000 in grants from the University Grants Committee, the Department of Education and the Leverhulme Trust.

Lancaster University

THE earth sciences review conducted by the UGC rated the university's environmental science department among the eight best in the country - the others were Cambridge, Edinburgh, Leeds, Liverpool, Manchester, Oxford and East Anglia.

The Management School has launched its collaborative MBA and diploma courses, of which the flagship is the Heathrow-based management training scheme with British Airways.

Liverpool Polytechnic

IT was originally formed in 1970 from the colleges of art, building, commerce and technology and has a research programme which brings in about £1m annually, and its staff act as advisers and consultants to a range of industries and social institutions.

The polytechnic is collaborating with Umist, Liverpool University and participating industrial companies in a scheme to provide an Integrated Graduate Development Scheme for manufacturing and process engineering companies in the North West.

It is the site of one of 12 Regional Electronics Centres set up by the Department of Trade and Industry to form a national network. It is designed to provide support, awareness and training in Electronic Design (Computer-Aided Design) and Advanced Manufacturing in Electronics (AME) for firms in the North West and North Wales.



Granada Studios Tour has transported 400,000 people into a world of fantasy during its first year

Nicola Reeves looks at tourism

New magnet for visitors

NORTH West England is likely to benefit from the drop in foreign holiday bookings. The region has much to offer potential visitors: historic Chester, Tatton Park country estate, Blackpool - Europe's largest seaside resort - the Lake District and the vibrant cities of Liverpool and Manchester.

According to the North West Tourist Board, tourism in the North West was worth £905m in 1987, up from £53m in 1985. Early indications from hoteliers suggest 1988 is going to be even better.

Department of Employment figures show a 14 per cent increase from 1985 to 1987 in the number of people employed in tourism in the North West. At 129,000 it has the largest number of tourism employees of any region outside the south-east.

Improvements in the infrastructure are boosting the number of visitors. Merseyside tops the latest survey on tourism business by the North West Tourist Board.

The Merseyside Task Force was set up by the Government in 1982 to co-ordinate the work of government departments contributing to the region's revival.

Mr Dennis Morrison, controller urban and economic affairs in the Task Force, admits that

regeneration is not going to happen overnight. "You could argue that it will be at least a generation job," he said.

The catalyst for projecting Liverpool as a tourist attraction was the 1984 International Garden Festival. Since then, the redeveloped Albert Dock has become a focal point, attracting 1.5m visitors in 1988.

The Merseyside Tourism Board (MTB) is a non-profit-making company set up in April 1986 by the MDC, the Merseyside Task Force and a number of people from the private and public sectors, to continue and expand the work on tourism at county level. MTB's activities include a local awareness programme, improved customer training, links with expatriate Merseysiders and services to industry and commerce.

The Albert Dock redevelopment is very impressive and one of its greatest assets is the Tate Gallery which has quickly established itself as the national collection of modern art in the north of England.

Mr Samir Rihani, chief executive of the Merseyside Tourism Board, believes attractions like the Tate help to improve the image of Merseyside.

Tourist attractions, such as the Tate and Knowsley Safari Park, reported an average

increase in attendance of about 15 per cent in 1987 and 1988. Hotel occupancy levels average a record 67 per cent for the past 12 months.

The philosophy adopted by the Merseyside Tourism Board and many of the other local agencies is summed up by Mr Rihani: "The more people we bring to see Merseyside, the better for the economy of the area. Today's visitor could be tomorrow's investor."

Manchester is also actively promoting itself as a visitor destination. As one of the UK's largest cities, it is rich in variety and quality of entertainment. There is excellent drama at the Royal Exchange, and it is the home of the Halle orchestra, and many art galleries and museums.

Manchester has the second largest Chinatown in the UK, with the largest imperial archway outside China.

One of its newer attractions, the Granada Studios Tour, has already established itself in the first division, in terms of visitors. The Granada Studios, which covers 3.5 acres, is Europe's only television-based theme park. It cost more than £2m to set up. Some 10m people live within an hour's journey, and since the first tour on July 20, 1988, there have been more than 400,000 visitors.

Manchester prepares for 1996 Games bid

Olympic candidate

EARLY in 1988, much to the consternation of Birmingham, Manchester won the British bid to host the 1996 Olympic Games. Having won the British nomination to host the 1992 Olympics - which are to be held in Barcelona - Birmingham expected to carry the torch through to 1996.

The ubiquitous Mr Robert Scott, who is chairman of the Manchester Olympic Bid Committee - his past successes include the Royal Exchange and Palace Theatres and the Cornerhouse contemporary arts venue, in Manchester - is not surprised that Manchester won the British bid. "There is a kind of visionary quality about the Manchester bid, and the regeneration of the Ship Canal and the waterside theme. The hopes and the aspirations of the bid, I think, are attractive and I think we communicated that to the British Olympic Association," he said.

An unusual feature of the Manchester bid is that it is led and funded privately, although it has the full support of the city council. Mr Scott's inspiration for putting together the bid came in 1984 with the Los Angeles Olympics, which were the first Games to be self-financed. Within about 10 days, Mr Scott had raised £250,000 and had teamed up with Mr Richard Parry of Arthur Young, who had been involved in putting together the finance for the Los Angeles Games.

Manchester faces formidable competition from Athens, who are the emotional favourites to host the centenary Games. The other candidates are Atlanta, Belgrade, Melbourne and Toronto.

The Manchester bid has much to commend it. Britain invented many of the Olympic sports and is the only nation in the world that has been represented at every Summer and Winter Games. According to Mr Scott: "we're a major Olympic nation claiming the right to hold the Games again."

If successful, the Games will return to Britain after an absence of 46 years. Although the bid is led centrally on the city of Manchester, Olympic events will take place across the whole of the North West of England, with the city of Liverpool having a major role to play, a point which Mr Parry, director of the Olympic Bid Committee, is keen to emphasise.

"It's going to be a regional Games. We will be making full use of the motorway network," he said. "There are major opportunities for Merseyside to be involved."

Mr Peter Hadfield, chairman of Trafford Park Development Corporation, is also on the Manchester Olympic Bid Committee and welcomes the tremendous PR surrounding the bid, which should make the attraction of investment into the area that much easier.

Barcelona is preparing to stage the 1992 Olympic Games and looking at what is happening there, Mr Parry thinks an Olympic bid is a tremendous catalyst to speed the regeneration process. To meet the

work for Manchester because they believed absolutely in the notion of the Manchester bid. Driving the Dream is the campaign to mobilise the people to support the Manchester bid. Mr Parry believes all the candidates will be able to demonstrate that they are capable of staging the Games and therefore selection will depend on other criteria.

A wide range of activities will take place over the next 18 months, bringing major international events to Manchester.

The final international task is to convince 47 of the 93 members of the International Olympic Committee to vote for the Manchester bid.

Mr Scott believes the Games are better for Britain in Manchester than in London, a sentiment that will be shared by anyone who has to travel through the capital.

Mr Parry agrees that the Manchester Games would be immensely good news for London in terms of what it does for the country's profile. "There would be huge economic spin-offs for London and there would be a boost to London's tourist trade," he said.

Mr Scott recognises that it will be difficult to build momentum throughout the whole country. "We've got to really get the nation behind us and that's quite a slow business," he said.

"One would have thought that the UK Government would support an independent private sector led and funded bid and there are encouraging signs on this front," Mr Scott said. "There's a growing feeling that we are to be taken seriously."

To date, the Manchester Olympic Committee has raised almost £2m. The Princess Royal, president of the British Olympic Association, is a keen supporter of the Manchester bid and the Duke of Westminster is president of the Manchester Olympic Bid Committee, which includes many leading figures from industry and commerce.

The IOC will make their decision on September 17, 1990. Mr Scott says: "So long as we can convincingly convey the notion that we are the British bid, then I think we will become a very potent candidate."

Events are planned across the whole of the North West

long-term needs of the region, Mr Parry says the committee wants to develop facilities for the next 30 years, not for three weeks.

There is much to be done if Manchester is to transform itself into the host city. A recent joint project between Artweek, the School of Architecture and Landscape Studies at Manchester Polytechnic and the Cornerhouse, brought together private and public sector artists, architects, sculptors and urban designers to try to assess what was needed.

Their main conclusion was that the routes linking areas of central Manchester needed to be improved, to achieve a pleasant environment for people to live and work in. Many of the attractive squares and buildings are located in little islands surrounded by traffic.

Mr Parry is in charge of the day-to-day planning of the Olympic bid and has put together a three-phase strategy.

The initial task is to convince the International Olympic Committee (IOC) that Manchester is technically capable of staging the Games. To achieve this senior managers of the Los Angeles Games have been hired to work alongside the Manchester Bid Committee. Mr Parry said that despite talking initially to Atlanta, the Los Angeles managers chose to

work for Manchester because they believed absolutely in the notion of the Manchester bid.

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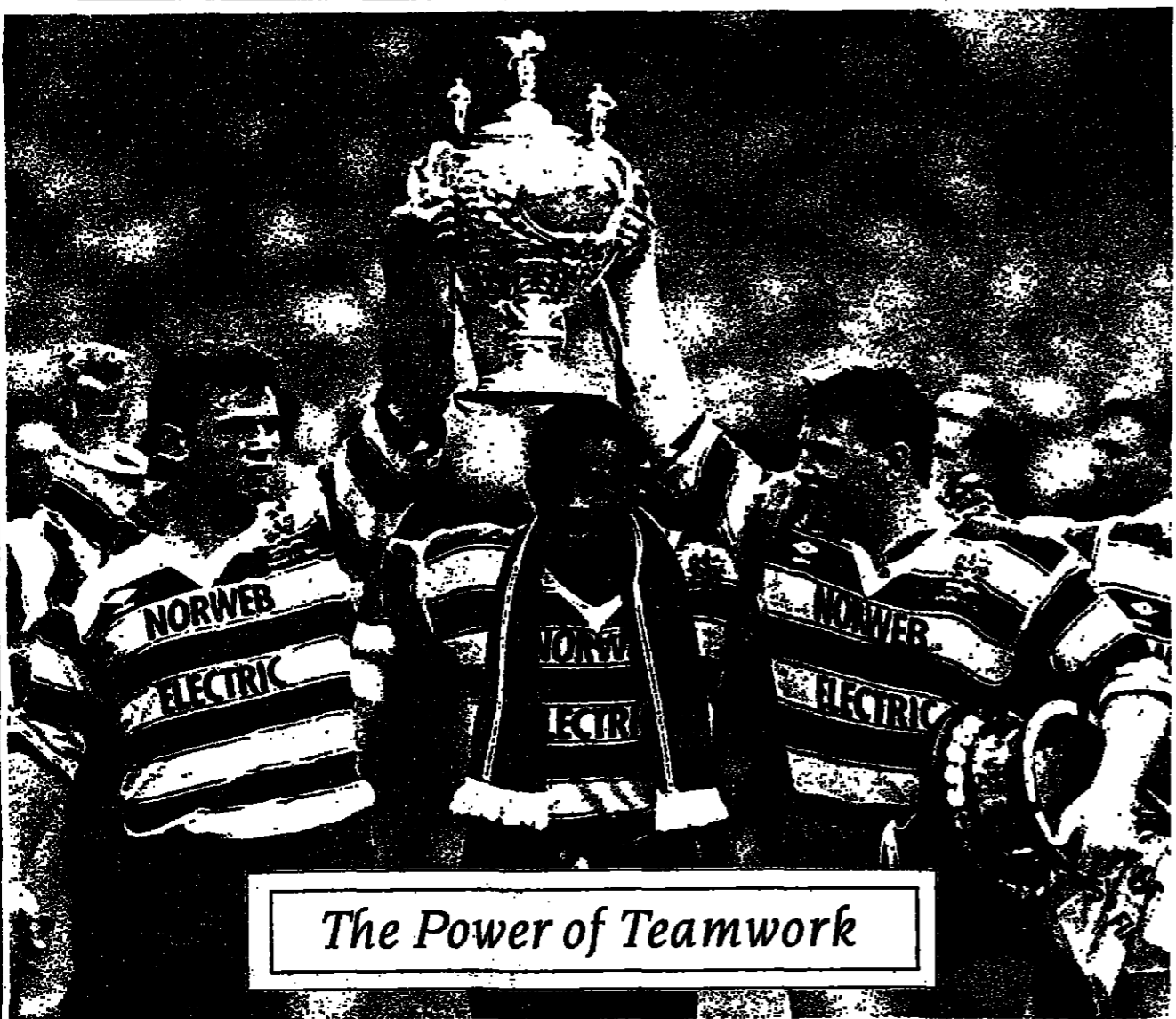
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Nicola Reeves



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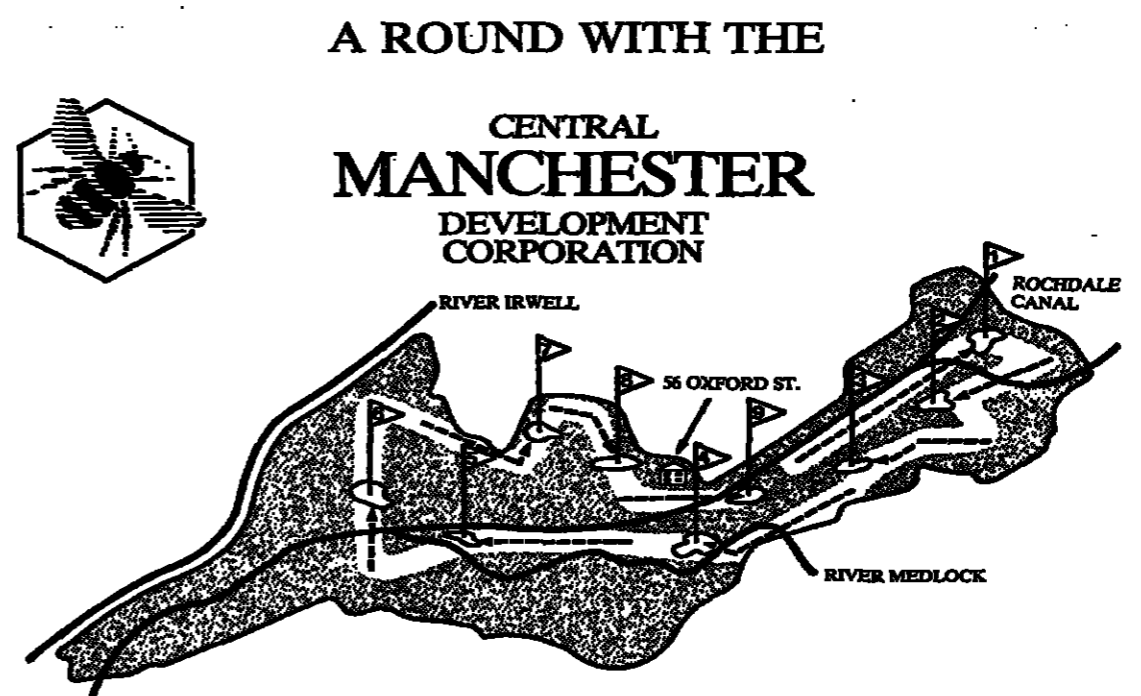
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NORTH WEST ENGLAND 8

SALFORD QUAYS

A dream turns into reality

SALFORD Quays is the kind of development increasingly familiar in British towns with rivers or canals running through them.

In those towns the old, derelict docks and warehouses have often been transformed into complexes of bijou red-brick houses, apartments and office blocks. They usually have a leisure centre, a supermarket or cinema set on re-arranged quays and waterways. They often needed hefty infusions of front-ended government investment in infrastructure before the private sector would look at them. This was invariably channelled through an Urban Development Corporation (UDC), a borough or county council or some such similar body.

Salford Quays is a different venture in two ways. It was judged difficult to the point of impossible to get off the ground as a re-development project even by promoters most prone to fantasising. Second, it has come to life largely through private sector initiative with only a modicum of public money spent on getting the ball rolling.

Without the determination and strong nerves of Mr Ted Hagan, the developer, it is possible the quays would still be run-down and looking for a backer.

The quays are at the head of the Manchester Ship Canal, which runs 35 miles to the port of Liverpool. Built in 1894, the canal was one of the last epic flings in the twilight of Victorian capitalism. It enjoyed its heyday in the middle of the present century when Manchester/Salford was the third largest port in the country and one of the biggest inland ports anywhere in Europe.

Container vessels and oil tankers became too big for the canal. There was a strategic shift in trade by the 1960s away from the US and Canada and thus Liverpool, to British east coast ports and Europe. The old industries, shipbuilding and cotton, began to die and the ship canal died with them.

By the 1980s the docks were a mess of industrial waste and wreckage. The warehouses played host to a huge rat population. The canal was so badly polluted it gave off a smell on sunny days. Even the land was contaminated by chemical waste. Traffic had been waterborne so there were few roads and little access. There was little in the way of services such as electricity because the Manchester Ship Canal Company had its own generator.

The warehouses had been used mostly to store grain. Because of the explosive possibilities of grain they were constructed of concrete. This made it difficult to convert them into flats and offices as in London's Docklands.

Without the determination and strong nerves of the developer it is possible the quays would still be run-down and looking for a backer

The quays' problems were compounded by Salford's bad image. As one businessman put it: "You think of Salford and you think of L.S. Lowry, Andy Capp and Coronation Street."

"The town has no real centre. It has no commercial heart and hardly any hotels. There is a university but most people think of it as a suburb of Manchester. There is an identity problem. Added to that there are some tough housing estates. Ten years ago, nobody would want to invest in Salford. Manchester, maybe, but not Salford and certainly not Salford Quays." Despite the apparent drawbacks, the Labour-dominated borough council, which then as now was soft-left, was determined to develop the 180-acre site in conjunction with capitalists if need be.

In 1981 builders Taylor Woodrow, together with the Manchester Ship Canal Company and council representatives travelled to London to try to obtain money from central government to develop the infrastructure.

Taylor Woodrow disagreed with the MSCC about the value of the site, claiming it was worth less than nothing and that it should be paid for taking on the project. The deal collapsed.

Mr Les Hough, the leader of council who died in 1987, refused to give up. He decided to acquire the land even though he knew the council could not develop it. He obtained a valuation and bought the whole 180 acres with 75 acres of canal front for £1.6m.

The problem was that no money would be forthcoming from the central government unless there was some private sector commitment. The Government had set up two Urban

Development Corporations, in London's Docklands and on Merseyside, and their success was at that stage uncertain. Consequently Mrs Thatcher could not be expected to establish any more, at least, not in Salford.

It was a classic chicken-and-egg situation. No private developers would invest without government involvement. At this stage Mr Ted Hagan entered the picture. He had been a developer for 30 years and had established a reputation in the north for being able to manage difficult sites.

He says: "The attraction of the UDCs is that they have powers of compulsory purchase, and can buy land at almost historic cost. Also they have the planning authority over their given area." He continues: "But there were other ways of raising money. Part of the area was an enterprise zone, so that was a start. In addition you could get urban aid and land reclamation grants." Today these grants have been rolled up into the one "city grant".

The council went for land

reclamation grants because they were 100 per cent payable by Whitehall. The urban aid grants were only 75 per cent reclaimable. To qualify, the council needed to raise £4m of private investment.

The deal the council offered Mr Hagan was that if he could raise £5m within three years he would receive 24 acres of the site, with some of it in the enterprise zone, for a peppercorn price. The enterprise zone status meant no rates, and tax allowances on capital investment.

Mr Hagan looks every inch the successful entrepreneur, with his mane of silver hair, his silver tie-pin, gold cufflinks, silk pocket handkerchief and ebony cane. But he is not bombastic and lacks the braggadocio found in other property tycoons. He is softly spoken, reflective, almost shy.

He chuckles when he says: "You see, I think the council thought I would never raise the £5m. If I got half of that they would get the Government money and the land." In the event he closed the deal with only minutes to spare. With bankruptcy staring him in the face, having mortgaged his house and put up £500,000 of his own money, he signed a complex 40-document deal just before the deadline of midnight on New Year's Eve 1985.

He had persuaded Thorn Emi to build an eight-screen, 1,200-seat cinema, British Caledonia to construct the 166-room Copthorne Hotel and Spence Homes to put up 112 houses and flats. The initial package came to £13m. The houses have all been snapped up and some of them have been resold for £20,000. This is an unheard of sum for Salford where £25,000 was expensive for a house.

Office blocks have been built, and next on the agenda is a shopping complex and then a leisure centre. There are plans for a 70-bay marina and a multi-storey car park. Mr Hagan reckons when his development is completed in five years' time there will have been £300m of private sector investment. The Government will have put £25m into the infrastructure. Plans to develop the acres not controlled by Mr Hagan are well advanced.

Mr Hagan admits to being a very rich man. Was he planning to retire? No, he had found another difficult site he wanted to market. Next time, though, he felt he could do without the stress.

Stewart Dalby

TRAFFORD PARK DEVELOPMENT CORPORATION



Trafford Park: New life for what was once thought to be western Europe's largest industrial estate

Set fair to flourish quickly

OF THE newer urban development corporations, Trafford Park looks set fair to emulate London Docklands and flourish quickly.

This is because it comprises a large industrial estate which never really disappeared. Industries have been operating in Trafford Park since 1886, two years after the building of the Manchester Ship Canal which runs alongside the estate.

By the Second World War there were 75,000 employees and it was thought to be the largest industrial estate in western Europe. The period before the war, and during the early 1950s, were its high points. It has been in decline ever since.

There are still more than 600 companies in the area. But technological change together with recession and structural adjustment, has cut this the number of employees to about 26,000. Many well-known companies like Kellogg's, Ciba Geigy, and GEC have continued to thrive. Many of the physical assets are worn out and some factories are past their useful life.

sary to rejuvenate the site was beyond its means.

The council got together with eight or nine companies and other local councils and lobbied the Government for regional assistance. Eventually, in 1987, the Trafford Park Development Corporation was set up. It was given a budget from the central government of £160m which would be spent over five or six years. The expectation was that over a longer period some £350m of private investment would be generated. The corporation will not basically be concerned with housing and other areas usually associated with urban renewal, but with developing the industrial estate.

The corporation is concerned with an area of 3,000 acres. This includes not just more than 2,000 of Trafford Park itself, but also 160 acres of the 250-acre Northbank Industrial Park at Irlam. Physically separated from Trafford Park, Northbank is the old British Steel plant which was closed over a period during the 1970s with the loss of 4,500 jobs.

In a sense Irlam is more attractive to potential investors because it is more of a greenfield site. One of the problems with Trafford Park is the fractured and individually held nature of the sites. Moreover, those parts of Trafford Park with enterprise zone status are largely filled with sitting tenants so the benefits of no rates plus tax advantages on capital expenditure are not generally available. Greenfield sites are probably the last words that would spring to mind to

describe the scene of dereliction that was Irlam not so long ago. The corporation has spent money on decontamination of the area and landscaping. Companies wishing to set up there, would nevertheless be starting from scratch. In new factories. Some 30 of them have shown interest and at £50,000 an acre the land is half the price of that in Trafford Park.

In the park proper, the corporation has identified the most pressing problem as communications. Although the motorways are nearby, the primary roads leading to them are in poor condition. It plans a dual carriageway across the Manchester Ship Canal. This would link up with the M602 and then the M62 to the north-west and the M56 and the M5 to south. Another prong would go into central Manchester. All this would mean a greater flow for goods going out of the estate and for employees from districts like Salford coming in.

Mr Mike Shields, chief executive of the corporation, estimates that up to half of the £160m could be spent on the road and other communications.

As this goes ahead the corpo-

ration will concentrate on developing two sites. The first is Trafford Wharfedale, next to the ship canal and opposite the Salford Quays project. This would provide high quality commercial and light industrial premises, and add 250 acres to the built-up area.

The other site is Trafford Park Village, where once there were 600 houses. Development would help restore missing amenities and services such as shops, cafes, pubs, offices, hotels and a business centre to encourage small companies.

Mr Shields says he is unaware of the exact number of new jobs created during the past 18 months, but estimates a few new companies would have employed perhaps 300 to 400 people. But, he says, "the decline has been stopped. That is the important thing."

He is confident many more companies will set up in Trafford Park. The housing for executives and managers is modestly priced. Although he does not envisage a return to the days when 75,000 people were employed, he feels there will be several thousand more jobs within 10 years.

Stewart Dalby

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NORTH WEST ENGLAND 9

At last the Merseyside Development Corporation seems to be in business, reports Stewart Dalby

Brighter weather comes to the waterfront

URBAN development corporations were designed to use public money to establish or repair infrastructure in run-down urban centres, so that greater amounts of private sector finance would follow. Without government pumping, private investors would not consider looking at derelict inner-city areas. Start-up costs would be so great that they would swamp any returns for too many years to make projects commercially viable. The theory seems to have been put into practice brilliantly at one of the first UDCs established in 1981 - London Docklands. Whitehall money, spent on roads, a metro-railway and other services, as well as on renovating land and water, has generated huge private spending. The ratio of private investment to government spending is now said to be more than 10 to one. In Merseyside, where the other original UDC was also set up in 1981, the opposite seemed to be the case. No matter how much money the Merseyside Development Corporation sank into the waterfront, the private sector would not invest. As recently as 1987, six years into the 10-year lifespan of the MDC, £140m of public funds had been pumped into the area. But there had been only £20m of private

investment. Dr John Ritchie, chief executive of the MDC, says there are a number of reasons why Merseyside has lagged. First, with a designated area of 856 acres, it was only one-fifth the size of Docklands. Second, Docklands was declared an enterprise zone, whereas this part of Merseyside was not. The status has been important to Docklands: there have been no rates, and also, tax advantages to capital investment. Third, there was a weak economic environment in Liverpool - whereas Docklands was opposite the City of London, and its development came at a time of improvement in global communications, internationalisation of stock markets and high demand for office space. Liverpool was a declining city. Unlike neighbouring Manchester it had no real industrial base. When the cotton trade died in Manchester, engineering pulled it through. Liverpool had lived by trade, and when there was a shift from America towards Europe, and the east coast ports it had little to fall back on. In the 1960s and 1970s, the regional policies of successive governments were to get companies to relocate. This never really worked in Liverpool, because of the lack of a proper industrial environment. It was

only in the calmer industrial relations atmosphere of the 1980s that concerns such as Ford and General Motors really started to prosper. People were moved out of the city to satellite towns like Runcorn and Crosby. The population of Liverpool proper has dropped from 750,000 in 1961 to 500,000 today. There are plenty of houses, but of the kind that few people want. This contributed to the fourth reason, which, according to Mr Ritchie, made Merseyside unusually difficult to resurrect. There was total dereliction. "It was not until 1984, three years after we were set up, that we had anything ready for private investment," he says. "It was not until we had spent a fortune on clearance, reclaiming land, and sorting out the way had sliding problem, that we had anything developable." The dereliction argument is compelling. If one looks at pictures of the Albert Dock before the MDC came along and now, one would hardly recognise it as the same site. Albert Dock, one of the largest grade one

listed buildings in the country, is the centrepiece of the MDC's development. It was finished last year and to my mind is one of the most attractive dock redevelopments in Britain. The heart of the dock has the Tate art gallery, the maritime museum, restaurants and shops set around a yacht harbour. Residential and office blocks are being built around and alongside. A fifth reason why development was slow was the unfavourable political climate. In 1988, the militant group in the Labour party gained control of the city council. Although it was probably no more profligate than the city council in Manchester, the high profile of some of such leaders as Mr Derek Hatton, rightly or wrongly scared off the private sector. Although officials at the MDC do not dwell on the subject, there is no doubt that, when the militant group was legislated out of business by central government in late 1988, there were signs of relief on the waterfront. In the improved political

atmosphere, coupled possibly with the completion of Albert Dock, people perceived that the corner had been turned. The MDC had been moving on several fronts. On the Liverpool waterfront, the Kings and Queens docks have been reclaimed and tidied up. A second major leisure/tourist complex at Kings and East Queens should be completed early next year. Further along, on the Liverpool side at Coburg Brunswick, the yacht haven is open and doing well. On the opposite side of the Mersey, at Wirral, long negotiations with the Mersey Docks and Harbour Company for the purchase of 115 acres necessary for redevelopment, were completed a year ago, and something like £15m is being spent on reclamation. After the outlay of £200m of government money, three projects alone could see £450m invested in the next few years. One, an office and residential development in which P&O is involved at Princes Dock, could see £180m to £200m spent. A second, involving Orléans, a Manchester developer, could account for £55m. Dr Ritchie admits privately that there were times during the mid-1980s when he felt like giving up. The MDC was criticised for not aggressively selling the area to industrialists. He says he got fed up hearing

stories how in Docklands land was being resold at enormous premiums. The MDC now finds it can sell land at a premium, and thus is able to fund some expansion internally. Dr Ritchie says: "We can demonstrate that we have changed the environment dramatically. Not only that, we have provided training for the jobs that have been created by the investment. This, after all is what the corporation is ultimately trying to do - bring jobs back to Merseyside." The aspect of his job that Dr Ritchie seems most pleased with is the success of the training scheme, Metal. Run as a private company, Metal receives £300,000 a year in funding from the corporation out of a total budget of £2.4m. Dr Ritchie is chairman. He reckons Metal has offered enterprise training and support to more than 7,300 young adults in the past year. He might well have to give up any thoughts of retiring from the fray. Last year, Mr Nicholas Ridley, the Secretary of State for the Environment, announced two extensions to the designated area of the MDC, tripling its size to 2,500 acres. On one, of 850 acres, it is envisaged that £50m to £90m will be spent over the next eight or nine years. The MDC at last seems firmly to be in business.

MANCHESTER AIRPORT

Underpinning the economy

MANCHESTER Airport provides a focal point for the region's motorway network, and provides a strong international perspective. Basil Jenda, chief executive of Inward, the North West's inward investment agency, is a firm believer in the sales value of the road-air equation. "When we are knocking on doors it is often one of our strongest selling points," he says. The region's industrialists regard the growth of the airport over the past decade as having underpinned the region's economy by allowing northern-based exporters easy access to key foreign markets. Meanwhile, passenger traffic has risen steadily to over 10m, from less than 6m in 1984, though much of this is holiday traffic. And although freight is showing rapid growth, the 70,000-plus tonnes handled in 1988 is a small proportion of total freight movement within the North West. Manchester Airport plc may not be in the first division in terms of size (turnover this year will rise above £100m, on margins of around 30 per cent), but its influence on the regional economy is greater than that of companies 10 times this size. Within the region, it has directly created 50,000 jobs. During its ill-fated attempt to secure licences for new routes to North America, a study by Salford University suggested that a further 3,500 permanent jobs would be created. Such statistics have given the airport a powerful following, which the chief executive, Mr Gil Thompson, has used adroitly in his battles with the Civil Aviation Authority. The CAA would like Manchester to concentrate on charter flights (it handles 20 per cent of UK holiday traffic), leaving long-haul expansion to Heathrow, Stansted and possibly Gatwick. In terms of regional communications, the CAA is wrong. The airport is served by a road network that Heathrow must envy, and is able to cater for significant expansion. The widening of the M63 Barton Bridge has relieved congestion

for airport traffic from the north side of Greater Manchester, though an eastern link remains a priority. However, if the airport's own prediction of passenger traffic growth to 23m by the turn of the century is fulfilled, the network will be under considerable strain. The long-term need is for a mainline rail link. The airport seems likely to become one of the terminals for the Manchester Light Rapid Transit system, but this will cater mainly for local needs. There are plans to extend a rail spur from Manchester to the airport, but this has been criticised within the region. One point of dissent is that, for little extra, a mainline station could be built, allowing Manchester-to-London trains to travel via the airport. Proponents of this argument point to European models, and to Gatwick. A more fundamental reason is that such a station, assuming RR completed the electrification of the Preston-Manchester line, would allow easy travel to the south or a visit to the region's main tourist centres. A privately-run, high-speed rail service from the airport should not be discounted. Current thinking in the region supports of some form of inter-city link along the lines of the Düsseldorf-Frankfurt route run by Lufthansa. The other airports in the region, while providing a useful extension to the communications network, do not have Manchester's strategic importance. What makes Manchester so vital to the region is perhaps the simple fact that, without it, the advantages of the other components of the communications network would cease to be so beneficial. The airport has become so dominant a part of the transport infrastructure that long-term strategy is no longer to see how it can benefit from the region's road, rail and port network, but how these can benefit from the presence of Europe's fastest-growing airport.

Martin Regan

CENTRAL MANCHESTER DEVELOPMENT CORPORATION

Towards second-city status

CENTRAL Manchester is one of the third generation of development corporations. The first two, in the London Docklands and on Merseyside, were set up on a large scale in 1981. Next came Trafford Park, Tyne and Wear, Teesside and the Black Country, established in February 1987. A clutch of smaller UDCs was put in place in mid-1988, including Central Manchester, Leeds, Sheffield and Bristol. This third wave have become known as mini-corporations. Central Manchester's distinguishing feature is that it is not a huge area of inner-city dereliction in need of huge government funding, but a pocket within a flourishing city, which missed out on the redevelopment of recent years. During the boom of the early 1970s, when Lord Barber was Chancellor of the Exchequer, much commercial development

took place in the east of Manchester. When office rents collapsed in 1974-75, a stratum of office property was available. According to Mr John Gjeater, chief executive of the CMDC, it took a long time for the speculative building of the 1970s to be absorbed. "It was not until 1983 that the pressure for office space began to be felt again," he says. The area under his remit consists of 470 acres around the Rochdale canal. This is one west, past the Chinatown area which consists of a large number of cotton warehouses that have recently become fashionable for conversion to offices.

The reasons are not difficult to discern. Manchester considers itself to be England's second city, after London. The distinction is also claimed by Birmingham, but there is an important difference between the two: Manchester is slightly too far from London for businessmen to visit regularly - the quickest train takes two and a half hours. Consequently the city has developed its own strong core of professional services, which consolidates its position as a regional capital, in a way that has eluded Birmingham. For example, Manchester has 62 banks, including 25 foreign

ones - many more than Birmingham. Promoters of Manchester extol its other advantages as a regional centre. The airport, which is 10 minutes from the city, has direct flights to 60 destinations, including four daily to Paris. "It is no longer necessary to struggle through London and fly out through a congested Heathrow or Gatwick," remarked one businessman. The city has a number of theatres, an opera house and the Halle orchestra; many cinemas and clubs; an abundance of restaurants, including some excellent Chinese ones in the

extended Chinatown area. UDC officials increasingly view Manchester not merely as a regional centre, but as a national one. "London has become so overcrowded and so short of skilled labour that companies are forced to look elsewhere," says Mr Gjeater. Rents in the area are as low as £2 a square foot. "It is just a downtown area that just hasn't happened," Mr Gjeater comments. Clearly, it is about to happen now. The chief executive says he does not have to spend vast amounts putting in the infrastructure, as was the case in Liverpool: the communications

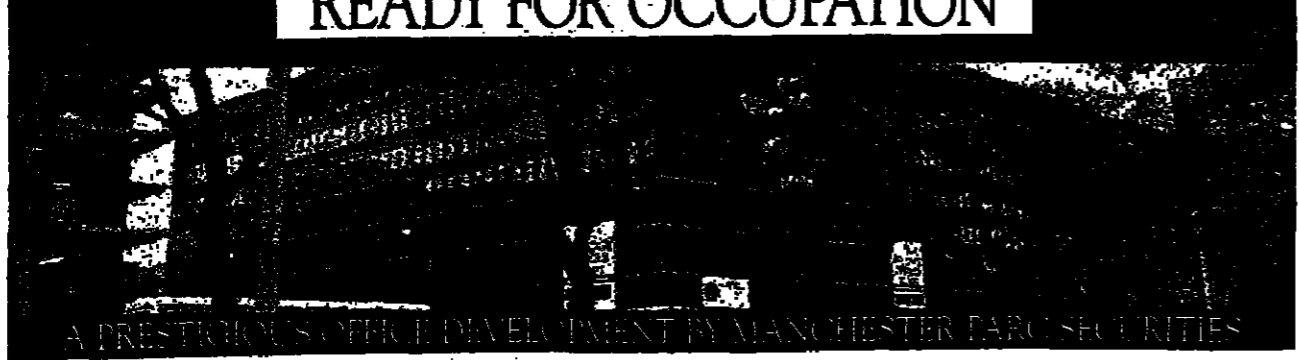
are already there. Nevertheless, there is some spending to be done, largely on access and reclamation of redundant industrial buildings, landscaping and improvement of the general appearance of the area. The CMDC has a budget of £90m, which it will spend over five years. This is expected to generate £250m of private investment, though not over the same period. In its first year of operation, the CMDC was investing at a ratio to the private sector of 1:2.7 - CMDC officials call this their gearing. Within five years, they believe, the ratio will have changed to 1:1 from the CMDC for every £2-to-£10 from the private sector. If it does reach this target, it will have achieved its goals and become self-liquidating.

Stewart Dalby

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INWARD provides a wide range of advice and assistance on industrial and commercial opportunities in North West England, completely free of charge, and serves five county areas - Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside, together with the High Peak District of a sixth county area, Derbyshire.

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"WE'RE WORKING FOR NORTH WEST ENGLAND"

NORTH WEST ENGLAND 10

COMMUNICATIONS

Roadways to growth

INDUSTRY in the North West has always been uniquely influenced by the region's communications network. Early industry grew up along the Leeds-Liverpool Canal, while the Port of Liverpool and the Manchester Ship Canal helped to create the dominant economic axes of Merseyside and Greater Manchester.

Today, only the port of Liverpool retains influence, though the role of the ship canal in providing an international perspective has been adopted by Manchester airport.

The region's other ports at Barrow, Workington, Whitehaven, Heysham, Silloth, Fleetwood and Ellesmere and the airports at Speke, Carlisle and Blackpool have been of only passing interest to the growth of the regional economy.

Over the past two decades the main catalyst of growth has been a motorway network which remains the most co-ordinated of any region in the UK. Widespread industrial development has been most evident along the M6 corridor, from Knutsford in the south to Carlisle in the north, and along the east-west M62, the arterial link connecting the economies of Merseyside, Greater Manchester and West Yorkshire.

The main cities in the region are well served. The M62 provides a fast link between Liver-

pool and Manchester, while Clwyd and north Wales can be reached via the M56.

Both the Birkenhead peninsula and the Fylde coast were opened up in the seventies by the M53 and the M55, respectively, the former bringing new industry, the latter tourism.

The most publicised example of communications-led growth is at Warrington which has used its position at the junction of the M6 and M62 to market itself as "Britain's most central location", attracting considerable investment from foreign companies.

However, the benefits of the network which have reduced travelling time between the two main regional conurbations to minutes, have tended to overshadow a number of strategic weaknesses.

Manchester's incomplete Ring Road has isolated the east of the city where unemployment rates are running at about 20 per cent. The final Denton to Middleton section of the Ring will not be completed until 1993.

In north-east Lancashire the M65 is still uncoupled from the region's main arterial routes, though the Blackburna southern bypass, to be built in 1992, will link it to the M6.

The main weaknesses are outside the region. Ninety-two per cent of North West freight

travels by road and south-bound container traffic quickly finds that the advantages of good motorways are dissipated when they are linked to the congested networks of the Midlands and the south.

The Birmingham northern relief road is of more importance to North West industry than any single project within the region itself.

With rail, the completion of electrification of the feeder routes into the InterCity west coast line remains a priority.

There is also the need for a direct mainline station at Manchester airport. A BR plan to lay a spur line from Manchester was heavily criticised earlier this year in a CBI transport policy review.

The review argued that at little extra cost the line could become a through route to Crewe and London, replacing the present Wilmslow route. Manchester to London trains could then go via the airport.

Manchester's planned Light Rapid Transit System, which now seems certain to link with the airport, will provide relief only for local passenger traffic.

In the wider European context the need for a fast through route to the south east has created unity of purpose between public and private sectors.

Studies into the possibility of using Liverpool as a landbridge

for European-bound North American container traffic have been funded by contributions from local chambers of commerce, businesses and trade unions.

Mr Robin Morris, an independent transport consultant based in Lancashire, believes the landbridge has wider implications than simply attracting more shipping to Liverpool.

The original concept of examining the trade which Liverpool must attract away from European ports, has broadened into an examination of the region's transport strategy.

The studies have shown that there is the potential for one train a day between Liverpool and Europe and debate about a series of freight terminals around the region to take intermodal container traffic has been growing.

The main marshalling point for Euro traffic will be at Crewe which will be fed by terminals at Seaforth and Trafford Park.

Landbridge has become the first attempt in the region to draw the elements of transport infrastructure together. Others are likely to follow, as agencies such as Inward and three development corporations adopt a wider strategic view.

Martin Regan

INWARD

Accent on selling points

ECONOMIC unity in a region as diverse as North West England has never been a priority, even among those who recognise that closer links between the region's main economic centres are desirable.

For those with the task of selling the region abroad it can often seem that the "one-voice approach" is drowned in a chorus of competing claims based on self-interest. Attempts to create unity have served only to emphasise disunity.

Inward, the region's inward investment agency, has learned much from the demise of its predecessor, Norwida, and has wisely avoided the grand design of regional unity. Instead, in the three years since its formation, Inward has concentrated on strengthening the shared economic aspirations of the region's business sector. It is practicality at the expense of ideology.

Two-thirds of Inward's board now comes from the private sector. The bulk of its £900,000 budget is from central government through the Invest in Britain Agency, but business contributions form a crucial and growing part of its budget.

Inward now has 80 company members, each donating a minimum of £1,000. The membership, given impetus by the quality of the board, is growing. Recent additions include

Mr David Plowright of Granada Television and Mr John Ashcroft of Coloroll.

The agency's 36 local authority members are not truly representative of the regional economy. A number of large metropolitan authorities, including Manchester and Stockport, have so far refused to join.

In spite of this imbalance, Inward, under Mr Ken Medlock, chairman, and Mr Basil Jenda, chief executive, has proved vigorously effective in selling the region's attractions to foreign companies.

A permanent office in Chicago and representation through a consultancy in Tokyo accounts for less than 25 per cent of the annual expenditure, but provide the leading edge of the agency's marketing campaign. This overseas staffing level is likely to increase as the agency looks towards other Pacific rim nations.

In absolute terms, the agency has been successful. More than 44 projects have been attracted to the region, representing a capital spend of well over £100m. Mr Jenda claims this investment has created and protected more than 1,600 jobs.

Notable successes include the attraction of James Rivers Corporation to Buncorn, Nissan Kizai to Denton in Greater

Manchester and Sanke Gosei, one of Japan's leading plastics companies, to Skelmersdale.

However, the big success has so far proved elusive. The agency put forward sites in Rochdale, Speke and Warrington for the new Toyota plant, but was not on the short-list.

A joint study with English Estates has been undertaken to pinpoint strategic sites in the region and the agency has become heavily involved in promoting initiatives to provide infrastructure.

According to Mr Jenda, the new approach is necessary to escape from the routine of simply responding to inquiries.

The scope of the agency's activities is restricted by a budget that seems inadequate for the task, but a combination of management, accounting and low starting levels mean that administration costs are negligible.

The problem of the region's poor image remains acute. Although in the US and Japan there is little perception of the North West as an economic entity, there is an exaggerated acceptance of a north-south divide within the UK.

Mr Ken Medlock believes Inward and organisations such as the Warrington and Run-corn Development Corporation have done much to overcome the "poor north" image abroad,

though he admits that the battle is far from won.

The leap forward may depend on a better image for the agency within the North West itself. The feeling within Inward is that its achievements are not fully recognised.

As the economic climate improves, the agency is finding growing interest from the UK rather than from foreign companies - 80 per cent of inquiries now emanate from the UK.

Despite its success, the feeling that the agency's task is too small for its task is overwhelming. Over the next few years funding from Invest in Britain will be cut as a proportion of total funding.

The most obvious option for the agency is to sell its considerable expertise to the private sector, but that would not be popular within the agency itself. "It just would not work. It would destroy the whole ethos of what we are trying to do. Generating funds would gradually take priority," said Mr Medlock.

The preferred, and most unlikely solution, is that the major local authorities can be persuaded to judge the agency on its record and recognise that, without it the prospects for regional economic recovery are diminished.

Martin Regan

Some of the things we do in the North West.

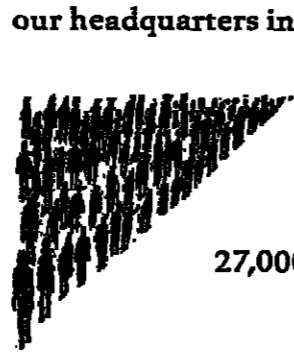
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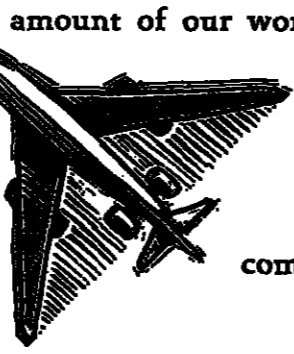


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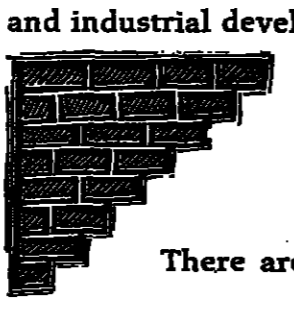


amount of our work in the North West. You'll see us working

at Manchester airport where our projects

company is responsible for the new terminal; in

highway construction all over the region; in commercial

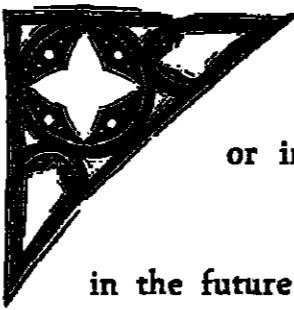


and industrial developments; and of course, Fairclough Homes is

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Engine in need of more thrust

Continued from Page 1

at Clitheroe, in north-east Lancashire, and Kendal, Penrith and Windermere in Cumbria, all with under 4 per cent.

However, that comparison is poor because of sparseness of population. More significant is the male unemployment rate in Macclesfield, east Cheshire, which is 5.5 per cent, or Preston (3.3 per cent) or Warrington (3.3 per cent).

The east-west divide in Cheshire is considerable, for the male unemployment rate in the west, in Wirral and Chester, is the region's second worst at 18.6 per cent. Other older areas with narrow industrial bases are in similar, though less acute difficulty: Wigan and St Helens (15.5 per cent), Widnes and Buncorn (14.7), Bolton and Bury (13.1), and Rochdale (13.0) are typical examples.

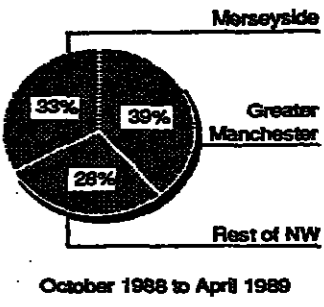
The clear moral seems to be that job chances are enhanced by living near Manchester Airport, whether in the south of the conurbation or in the leafier towns and villages of Cheshire, or along the M6, M56 and M62 corridors - though not in the Bolton-Rochdale elbow of the M61 and M62 or west of Warrington.

These desirable areas are where new high technology industry is concentrating, where the manufacturing base is already diverse and where the mix of businesses by size is widest, with a resultant local inter-trading economy for the small fry.

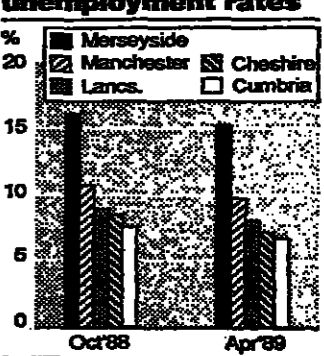
Of course, there are many successful businesses and people in the areas of high unemployment - where between 30 and 90 per cent of people are in work anyway, many earning good money and living well but they are thinner on the ground.

North-West jobs

Manchester & Merseyside



North-West unemployment rates



The most able people who cannot get jobs or who see their opportunities as too limited are voting with their feet. Merseyside lost 2.1 per cent of its population in 1984-87, and 2.3 per cent in 1984-87, about 11,000 people a year.

Warrington showed gains of 6.1 per cent and 3.6 per cent in the same periods; Congleton, near Macclesfield, grew by 2.5 per cent; Cheshire as a whole by 4.8 and a 1/2 per cent.

Indeed, market forces are in full flow in North West England. If the national economy should now falter, the areas with the highest unemployment and the narrowest economies look set to feel the draught again.

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After 10 years of spectacular and uninterrupted growth in output...

Germany's gain

A two-week surge in the West German stock market pushed the FAZ index...

At the corner

After two years of losses, Management Science America, the US software house...

Market Statistics table with columns for Base lending rates, Benchmark Govt bonds, etc.

Companies in this section

Table listing companies like Johnson Firth Brown, AMI, ANI, Anglo Union, etc.

Chief price changes yesterday

Table showing price changes for various commodities like FRANKFURT (DM), PAIRS (PPP), etc.

Hanson sells Midland holding

By David Lascelles and Nikki Tait in London. HANSON, the UK industrial conglomerate...

Nixdorf to omit 1989 dividend

By David Marsh in Bonn. NIXDORF, the troubled West German computer group...

Isosceles buys 10% of Gateway

By Nikki Tait in London. THE £1.57bn (\$2.93bn) leveraged bid battle for Gateway...

British Gas profits up despite a mild winter

By Max Wilkinson, Resources Editor. BRITISH GAS yesterday reported increased profits...

Veba acquires stake in Schenker

By David Marsh in Bonn. Veba, the West German energy and chemicals group...

Murdoch investment fund faces delay

By Raymond Snoddy in London. MR RUPERT MURDOCH, chief executive of News Corporation...

Schlumberger in deal with Thorn

By Hugo Dixon in London. THORN EMI, the much restructured UK conglomerate...

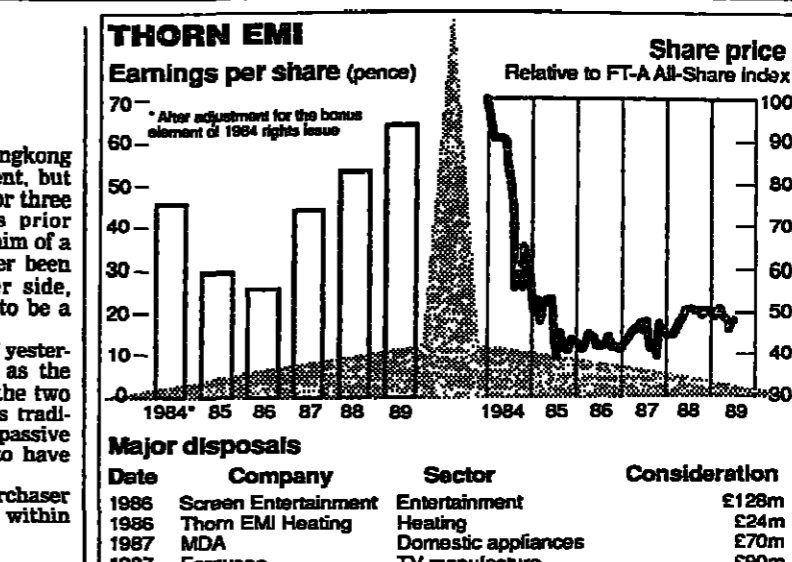


Table with columns: Date, Company, Sector, Consideration. Lists major disposals and acquisitions.

WHY SHOULD INSURERS WANT TO TALK TO MIDLAND MONTAGU? Advertisement for Midland Montagu Corporate Banking.



Sir Denis Rooke, tariffs had fallen 9 per cent...

INTERNATIONAL COMPANIES AND FINANCE

Boots beats City forecasts with 25% income rise

By Maggie Urry in London

PROFITS from Boots, the UK retail chemist and pharmaceutical group, have beaten brokers' forecasts, showing a near 25 per cent rise at the pre-tax level to £265m (\$461m).

had been the main engine of growth, showing a 30.5 per cent rise in pre-tax profits on a comparable basis, to £194.8m. The increase was achieved on a sales gain of 8.1 per cent to £2.1bn.

TDK spends \$122m on European factory

By Tim Dickson in Luxembourg

TDK of Japan yesterday unveiled plans to invest around £122m (\$122m) in a new audio-tape and video-tape factory in the Grand Duchy of Luxembourg.

Hidroala aims for sparks in its stock

Peter Bruce on a Spanish utility that wants more investment from the rest of Europe

A utocartera is a dirty word in Spain. It means treasury stock, the shares a company owns in itself. Common in Spanish business for years, it has won notoriety because banks have built up big treasury stocks and have had difficulty getting rid of it.

Hidroala, like most Spanish utilities, devours debt and new capital. After the 1973 oil crisis, the industry spent heavily on restructuring to move from oil-fired plant to build new coal and nuclear power stations. In the process it accumulated borrowings of Pta3,900bn (\$93.5bn).

Under a new pricing agreement between Government and industry, the companies are allowed to further defer the costs of bringing a plant on-stream for five years. But the fiscal effect on profits can be dramatic.

Under a new pricing agreement between Government and industry, the companies are allowed to further defer the costs of bringing a plant on-stream for five years. But the fiscal effect on profits can be dramatic.

There is little evidence, though, that the quality of profits bothers the kind of investors Mr Oriol is looking for in Europe. By some estimates, foreigners already own more than 20 per cent of Hidroala.

Former Ford chief may be tempted to VW board

By David Marsh

MR DANIEL Goedevert, the former chairman of the West German subsidiary of the Ford car company, is likely to take over a top management post at Volkswagen.

years. He resigned from that job on May 1. He is a controversial figure in the European motor industry, and a former lecturer on literature at the Sorbonne in Paris.

Carlsberg boosts profits and home market share

By Hilary Barnes in Copenhagen

CARLSBERG, the Danish brewer, increased first-half pre-tax profits by 11 per cent to Dkr511m (\$66m) on sales that rose by 4 per cent to Dkr4.71bn.

although the group increased its market shares. The industrial arts subsidiary, Royal Copenhagen, which includes porcelain, glass and silverware, doubled profits to Dkr34m on sales up by 15 per cent to Dkr864m.

Bumper year for German ball bearings maker

KUGELFISCHER Georg Schaefer, the West German ball bearings maker, yesterday reported a strong profits recovery and said that a good year this year could ensue as a higher dividend to be paid for 1988, APN reports.

Christiania posts strong recovery to Nkr479m net

By Karen Fosell in Oslo

NORWAY'S leading bank, Christiania, reports a strong recovery for the first four months of 1989 against a loss last year of Nkr1m, the group has achieved a net profit of Nkr479m (\$66.7m).

actions had improved. There were also gains from foreign exchange transactions. The bank plans to increase its capital by a rights issue and to take further steps to make its shares available to foreign investors.

KIRIN BREWERY COMPANY, LIMITED. U.S. \$350,000,000. 4 per cent. Notes due 1993. Warrants to subscribe for shares of common stock of Kirin Brewery Company, Limited. Includes a list of international agents like Yamaichi International, The Nikko Securities Co., etc.

KfW Kreditanstalt für Wiederaufbau. 7 1/2% Bearer Bonds of 1989 (1999). DM 750,000,000. Includes details on interest, denominations, and a list of participating banks.

INTERNATIONAL COMPANIES AND FINANCE

IEL deal shakes Goodman shares

By Chris Sherwell in Sydney

SHARES IN Goodman Fielder Wattle, the Australasian food giant, fell on the Australian and New Zealand stock exchanges yesterday as investors judged Sir Ron Brierley was securing the better deal in Goodman's takeover of his Industrial Equity (IEL).

Goodman's offer values IEL at A\$1.8bn (US\$1.4bn) and involves a cash outlay of A\$1.1bn and the issue of 512m Goodman shares. Sir Ron's Brierley Investments (BIL) will accept for its 52 per cent of IEL, and if the bid is successful will pay Goodman Fielder A\$1.1bn for IEL's Woolworths retail chain.

In Sydney yesterday, Goodman's shares finished at A\$2.06, down 10 Australian cents from Wednesday and 27 cents since Monday. In Wellington the shares weakened 28 New Zealand cents on the day, to NZ\$2.75. Shares in IEL and IEL meanwhile firmed in both centres.

Mr Pat Goodman, executive

chairman of Goodman Fielder, spent yesterday trying to pacify disenchanted Australian institutional shareholders, including the AMP Society. Mr John Elliott, whose Elders IEL holds a significant off-balance sheet stake in the group, was also unhappy.

The unease stems from worries about IEL and the issue of Goodman shares, which dilutes existing shareholdings. "If Pat Goodman wants to buy Southern Farmers (an IEL subsidiary) or Rod Price (IEL chief executive), that's best," said one investment manager. "But he can leave the rest. We don't know what's hidden in there."

Another analyst pointed out that the deal was initiated from the Brierley camp, as Mr Goodman himself has admitted, and that the above-market price paid for IEL shares represented a far better deal for BIL than for Goodman.

Goodman Fielder, which estimates it will have a market capitalisation of A\$3bn and a

ranking of 18th in Australia as a result of the deal, yesterday reaffirmed its intention of divesting itself of IEL's non-food related assets.

"If there is one thing, we have learned from our experience with Banks last year, it is that we have to have a strong balance sheet in order to expand globally," a Goodman official declared yesterday.

Last year, Goodman let a \$1.7bn (US\$2.7bn) bid for Banks Evis McDougall (RHM) lapse when it was referred to the Monopolies and Mergers Commission because of concern about the debt burden Goodman would have to shoulder.

According to Goodman figures, the group's acquisition of IEL will leave it with shareholders' funds of A\$2.28bn, interest-bearing debt of A\$2.6bn and total assets of A\$2.2bn. With the sale of its share portfolio and other assets, debt would be A\$575m and assets A\$4.2bn.

Australian press comment

on the IEL deal yesterday was uniformly negative, and saw it as an attempt by "New Zealand Inc" - namely Sir Ron and Mr Goodman himself, who have long been close - to stage a "Kiwi coup" which would secure and protect Goodman Fielder. That may be somewhat parochial, since the Brierley group and Goodman Fielder are nothing if not trans-Tasman or Australasian groups which are taking advantage of the two countries' uniquely close economic relations to build extensive interests abroad.

• Jarden Morgan, the New Zealand investment bank, said it had bought 5.1 per cent of IEL at A\$2.40 per share and had agreed to sell the shares to Goodman Fielder, Reuter adds from Wellington.

Jarden told the New Zealand Stock Exchange the shares would be sold to Goodman at the same price, subject to approval from Australia's Foreign Investment Review Board.

Packer gains effective control of ANI

By Chris Sherwell

AN AVALANCHE of last-minute selling yesterday gave Mr Kerry Packer, Australia's richest man, effective control of Australasian National Industries (ANI), the beleaguered engineering group.

Mr Packer's Consolidated Press Securities has stood in the market for the past month and acquired ANI shares offered at A\$1.40 each, a price which values the group at almost A\$750m (US\$566.7m).

After one of the bitterest and most extensive advertising campaigns ever seen in an Australian corporate battle, Mr Packer had built up a stake of 48 to 50 per cent by the time his offer expired yesterday.

Of the institutional shareholders, the AMP Society remained the most steadfast in rejecting his offer. It is now the group's second largest shareholder, with around 8 per cent.

Others, according to one of those involved in ANI's defence, were short-sighted and "like lemmings" were panicked into selling.

Two key issues determined the outcome: the precise size of ANI's exposure to the collapsed Spedley companies, and the responsibility of certain ANI directors for that exposure.

According to a memorandum sent out by ANI to its shareholders, the group's known potential exposure was

A\$221m, or A\$148m after a likely income tax benefit. While the group would slide heavily into loss if the worst came to pass, it insisted that the A\$140 offer greatly undervalued ANI's assets.

Mr Packer cast doubt on the size of the exposure, taking advantage of the fact that the A\$221m figure, when published, was higher than generally realised. He also pointed out that no adequate explanation had been offered for the group's predicament, and no directors had resigned.

Further developments are expected today when the current board is due to meet. Mr Neil Jones, managing director,

who had earlier stepped down as chairman, seems certain to go, and others involved in the Spedley affair may follow.

The failed companies - Spedley Holdings and Spedley Securities - were part of a complex business empire controlled by the entrepreneur Mr Brian Yuill which also included Greater Pacific Investments (GPI) and the quoted GPI Leisure.

ANI, which controls the British engineering group Aurora, held a 45 per cent stake in Spedley until earlier this year. Its exposure consisted chiefly of advances to Spedley and bills of exchange endorsed by GPI Leisure.

Big two Israeli banks in black

By Hugh Carnegie in Jerusalem

BANK HAPOLIM and Bank Leumi, Israel's two biggest banks, have announced a return to profitability in the first quarter of this year after net losses for the whole of 1988.

Bank Leumi's results were lower than the first quarter of last year and the unaudited results were marked by increased provisions for bad debts as the banks continued to take a conservative view of their loan portfolios after exceptionally heavy provisions at the end of 1988.

Taken together, Israeli banks set aside more than \$1bn last year mainly as a result of a debt crisis in the country's co-operatives, the kibbutz movement.

Bank Leumi said it had returned an inflation-adjusted

first-quarter profit of Shl 42.5m (\$23.4m), compared with Shl 55m in the first quarter of last year. Provisions were up by more than 50 per cent at Shl 82m.

The bank, earmarked by the Government as the first to be sold when the state begins to dispose of its majority bank shareholdings later this year, blamed a continuing recession in the Israeli economy and falling interest rates on loans for depressing revenues.

But Mr Moshe Zabar, chairman, said he was hopeful the bank would return to annual profitability levels of some \$100m.

Bank Hapolim expressed its satisfaction over a net first-quarter profit of Shl 38m, after

profits of Shl 51m in the same period last year.

Its provisions were also up by more than half at Shl 157m, but the bank said it was steadily improving its loan portfolio and increasing its market share in most areas of domestic operations.

Quarterly results from Israel's other main banks showed a similar pattern to the big two. Israel Discount Bank, the third largest group, showed a 25 per cent drop in net profits to Shl 19.3m.

With much less of a bad debt problem than its bigger rivals, IDB managed to stay in profit for the whole of 1988, but has still suffered from increased provisions and the local economic slowdown.

ERN to acquire 49% stake in Oakbridge

By Our Financial Staff

ELDERS Resources NZFP (ERN), a quoted offshoot of Sir John Eilers' Elders IEL, is to take a 49 per cent stake in Oakbridge, an Australian coal producer into which it will inject its own domestic coal interests.

Mr Grahame Mapp, Oakbridge chairman, said the deal would lead to a significant rationalisation of coal industry ownership and management in New South Wales, where the ERN mines are located.

It would allow Oakbridge to develop a new open-cut mine adjacent to Saxonvale, one of the main ERN operations involved in the deal. The enlarged group will have coal sales projected at \$m tonnes in 1989, compared with \$m tonnes in 1988, and providing export revenues of more than A\$400m.

Oakbridge will recap all the A\$60m (US\$66.4m) cost of purchasing the ERN interests by:

- Allotting ERN the stake comprising 80m new Oakbridge shares at 50 cents apiece, compared with a market price yesterday of 46 cents.
- Issuing to ERN 40m convertible notes, also at 50 cents, and 10m options exercisable at 75 cents by November 1991.
- Placing with unidentified third parties a further 80m shares at the same price paid by ERN.

Mr Geoff Lord, ERN chief executive, is to become deputy chairman at Oakbridge.

U.S. \$150,000,000
Midland International Financial Services B.V.
 (Incorporated with limited liability in the Netherlands)
Guaranteed Floating Rate Notes 1992
 Guaranteed on a subordinated basis as to payment of principal, and interest by **Midland Bank plc**

For the six months from 9th June, 1989 to 11th December, 1989 the Notes will carry an interest rate of 9 1/2% per annum.

The interest payable on the relevant interest payment date, 11th December, 1989 against Coupon No. 19 will be U.S. \$244.10 per U.S. \$5,000 Note.

Agent Bank: **Morgan Guaranty Trust Company of New York**

Japanese raider founders with record Y309bn debts

By Stefan Wagstyl in Tokyo

JAPAN yesterday recorded its biggest post-war bankruptcy when a property company controlled by Mr Yasuji Ikeda, a corporate raider, was declared insolvent with debts of Y309bn (\$2.2bn).

The debts of Shinwa Kenko Kabushiki, which channelled funds into Mr Ikeda's stock market operations, totalled Y309bn, according to statements filed at the Osaka District Court.

This was well above the previous record bankruptcy registered in 1985 when Toyota Shoji, a commodity trader, went under with debts of Y170bn mostly owed to hundreds of individual investors.

Shinwa Kenko is an affiliate of Cosmopolitan, Mr Ikeda's master company, which went bankrupt last year with debts of Y70bn. The debts were chalked up funding attempts by Cosmopolitan to buy and trade large stakes in listed companies. Cosmopolitan suffered heavy losses when share prices plunged in October 1987.

SA glass group advances

By Jim Jones in Johannesburg

PLATE GLASS & Shatterproof Industries, the South African glass and building products distributor, lifted annual pre-tax profit by more than a third despite spending heavily to expand its Australian and North American interests.

Turnover increased to R2.78bn (\$1bn) in the year to March from R2.32bn and the pre-tax profit was R232.5m against R174.6m.

The directors say start-up costs of the new American and Australian operations were equivalent to 154 cents a share against the year's net earnings of 482.7 cents.

In South Africa the group's glass and building board divisions raised domestic and export sales while the European glass division is reported to have traded particularly well.

The dividend has been raised to 223 cents from 185 cents.

Pratt in bid for OVS remainder

OVS Investment, an Australian paper producer, has received a bid by Mr Richard Pratt, a Melbourne businessman who already owns 52.7 per cent of the company, AP-DJ reports from Melbourne.

He is offering A\$1.85 a share for the remaining ordinary shares and A\$1.78 for those created from a rights issue last November. The offer values OVS at A\$270m (US\$204m).

OVS controls West Paper Products in Scotland.

\$100,000,000
PRUDENTIAL
 Floating Rate Notes Due 1995

Interest Rate: 9 1/2% per annum
 Interest Period: 9th June 1989 to 11th September 1989
 Interest Amount per U.S. \$50,000 Note due 11th September 1989: U.S. \$1,240.28

Credit Suisse First Boston Limited
 Agent Bank

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U.S. \$100,000,000
GW
Great Western Financial Corporation
 Floating Rate Notes Due 1995

Interest Rate: 9 1/2% per annum
 Interest Period: 9th June 1989 to 11th September 1989
 Interest Amount per U.S. \$50,000 Note due 11th September 1989: U.S. \$1,240.28

Credit Suisse First Boston Limited
 Agent Bank

BNP
BANQUE NATIONALE DE PARIS
US\$100,000,000
Floating Rate Notes due 1991

In accordance with the terms and conditions of the Notes notice is hereby given that the Rate of Interest for the Interest Period 5th June 1989 to 5th December 1989 has been fixed at 14% per annum. The interest payable on the relevant Interest Payment Date, 5th December 1989, will be US\$711.67 per US\$10,000 Note.

Banque Nationale de Paris p.l.c.
 Interest Determination Agent

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE 8th June, 1989

TOYOTA

TOYOTA MOTOR CORPORATION

U.S. \$1,500,000,000
4 per cent. Bonds 1993

with
Warrants
 to subscribe for shares of common stock of Toyota Motor Corporation

Issue Price 100 per cent.

Nomura International
 Daiwa Europe Limited
 Merrill Lynch International Limited
 S.G. Warburg Securities
 Sanwa International Limited
 Mitsubishi Trust International Limited

KOKUSAI Europe Limited
 Kleinwort Benson Lambert S.A.
 Barques de Zoete Wedd Limited
 BNP Capital Markets Limited
 Commerzbank Aktiengesellschaft
 Dresdner Bank
 Kleinwort Benson Limited
 J.P. Morgan Securities Asia Ltd.
 Prudential-Bache Capital Funding
 Shearson Lehman Hutton International
 UBS Phillips & Drew Securities Limited
 Yamachi International (Europe) Limited
 Bank of Tokyo Capital Markets Group
 Sumitomo Trust International Limited
 Algemene Bank Nederland N.V.
 Banco di Napoli
 Banque Indosuez
 Chase Investment Bank
 Credit Commercial de France
 Kikder, Feabody International Limited
 NatWest Capital Markets Limited

The Nikko Securities Co., (Europe) Ltd.
 Credit Suisse First Boston Limited
 Salomon Brothers International Limited
 Mitsui Finance International Limited
 Tokai International Limited
 Mitsui Trust International Limited

Nippon Kangyo Kakumaru (Europe) Limited
 Banque Paribas Capital Markets Limited
 Baring Brothers & Co., Limited
 CL-Alexanders Laing & Cruickshank
 Deutsche Bank Capital Markets Limited
 Goldman Sachs International Limited
 Morgan Grenfell & Co. Limited
 Morgan Stanley International
 J. Henry Schroder Wagg & Co. Limited
 Swiss Bank Corporation
 Sanyo International Limited
 Tokyo Securities Co. (Europe) Ltd.
 LTCB International Limited
 Arab Banking Corporation (ABC)
 ANZ McCaughey Merchant Bank Limited
 Bankers Trust International Limited
 James Capel & Co. Limited
 Citicorp Investment Bank Limited
 Robert Fleming & Co. Limited
 Investment Co. (S.A.K.)
 Societe Generale

Westdeutsche Landesbank Girozentrale

Kleinwort Benson

Helping our clients grow in Europe

TIP EUROPE

SIMULTANEOUS FLOTATION IN LONDON AND AMSTERDAM

February 1988

In February 1988, we advised TIP Europe, Europe's leading trailer rental company, on the first ever simultaneous flotation on both the London and Amsterdam Stock Exchanges.

The flotation was effected by way of a placing which valued the company at £83 million.

ACQUISITION IN THE NETHERLANDS AND BELGIUM

November 1988

In November 1988, we advised TIP Europe on its acquisition of the Cetem/ITR Group, a trailer rental group based in The Netherlands and Belgium. The acquisition was financed by a vendor consideration placing which we underwrote.

PUBLIC OFFER IN THE UK

January 1989

In January 1989, we made a recommended offer, on behalf of TIP Europe, for CSL Corporation, a UK based trailer rental company. We underwrote the cash alternative which valued CSL at £27 million.

The Kleinwort Benson Group

Issued by Kleinwort Benson Limited, a member of TSA and of the AIBD

This announcement appears as a matter of record only

June 1989



presso la Banca Nazionale del Lavoro

ECU 250,000,000
Medium Term Facility

Arranger
BNL Investment Bank plc

Lead Managers
Bank of Tokyo International Limited
Crédit Agricole
Hill Samuel Bank Limited

Barclays Bank PLC
Crédit Lyonnais
The Mitsubishi Bank, Limited

Co-Lead Managers
IMI Bank AG, Frankfurt
The Mitsubishi Trust and Banking Corporation
Allied Irish Banks plc
Australia and New Zealand Banking Group Limited
Bank Leu Ltd
Banque Internationale à Luxembourg S.A. (London Branch)
Bayerische Landesbank Girozentrale, London Branch
Lloyds Bank plc
Mitsui Finance International Limited
Saitama Bank (Europe) S.A.
The Sumitomo Trust and Banking Co., Limited
The Tokai Bank, Limited

Managers
Daiva Europe NV
The Chuo Trust & Banking Company, Limited
The Nikko Bank (UK) plc

Participants
Crédit Communal de Belgique S.A. - Gemeentekrediet van België N.V.
Landesbank Schleswig-Holstein International S.A.
BACOB Savings Bank s.c. London Italian Bank Limited SKOPBANK

Agent
The Mitsubishi Bank, Limited

BNL Investment Bank plc

Lomas sells bank units to Merrill for \$500m

By Janet Bush in New York

LOMAS Financial, the Texas-based financial services company, yesterday announced the sale of its retail banking and credit card subsidiary to Merrill Lynch Capital Partners for \$500m in cash and preferred stock.

Lomas Bankers Corporation is a national retail banking services company and its subsidiary, Lomas Bank USA, is the 11th largest issuer of Mastercard and Visa credit cards in the country. It currently serves 1.7m credit card customers and had credit card receivables totalling \$1.2bn at the end of March.

Mr Jess Hay, chairman of Lomas Financial, which bought the retail banking business in 1986, said he was pleased with the deal, which would ensure that Lomas Bankers would continue to trade as an independently operated company.

The company had received several bids for Lomas Bankers, some of which would have broken up the subsidiary.

The main motivation behind the sale was to reduce debt. Lomas Financial had been downgraded by rating agencies, which felt it was too highly leveraged.

The sale will reduce Lomas Financial's consolidated debt by \$1.7bn or 30 per cent and materially improve its financial ratios. At the end of March, its debt totalled \$5.6bn. Merrill Lynch Capital Partners is a subsidiary of Merrill Lynch, the Wall Street securities house. It represents a group of investors who are interested in creating and part owning private companies.

MLCP will own the Lomas companies through an affiliate which will be capitalised with \$50m in preferred stock, \$100m in common equity and additional capital provided by MLCP and Morgan Guaranty Trust Company of New York.

The stockholders' equity will be held by the group of investors which includes a subsidiary of Lomas Financial, which intends to purchase for \$10m a 10 per cent interest in the acquiring corporation. The transaction is expected to be approved within 60 days.

INTERNATIONAL COMPANIES AND FINANCE

Software group bites IBM bullet

Della Bradshaw looks at how MSA's link is beginning to pay off

Following the tail-coats of IBM, the world's largest computer manufacturer, is not always the easiest trick to perform, as Management Science America (MSA), the US mainframe computer software manufacturer, discovered, after two years of losses MSA, of Atlanta, Georgia, may now be turning the corner.

MSA, which specialises in supplying software to the finance, banking and manufacturing sectors, returned to profitability in the first quarter of this year following nine months of dramatic restructuring and a re-focused product strategy. After two years of losses the company showed a net income of \$2.2m on a turnover of \$63.2m for the first three months of 1989.

The positive results are largely the result of the restructuring - MSA shed 10 per cent of its 2,600 staff and closed several US offices. But its long-term health, like that of a clutch of other IBM software houses, will depend as much on IBM's efforts as on its own.

Following criticism for not having had a clear product strategy, MSA is to bite the bullet and tether its fortunes even more closely to those of IBM. The culmination of that closer relationship came at the end of last month when IBM bought a 5 per cent stake in MSA for \$10m. (IBM followed the same strategy just a week after the MSA purchase when it bought 15.3 per cent of Com-

puter Task Group, the Buffalo, New York, software house, for \$21m.)

IBM's move followed an unequivocal commitment by MSA to make all its software compliant with the computer manufacturer's latest com-

puter architecture, launched last month in New York with all the razzmatazz that IBM could muster.

Called Systems Application Architecture (SAA), the system has been developed so that software for the largest mainframe is compatible with that for the smallest personal computer - in the past software packages for IBM mainframes has differed from those used in smaller systems.

One of the competitive

strengths of the Digital Equipment Corporation, the largest minicomputer manufacturer and main rival to IBM in corporate computing, has been the compatibility of its software across its hardware range.

A contributing factor in the squeeze on MSA's profitability was Digital Equipment's successful stage on the IBM mainframe market.

Further evidence of MSA's total commitment to IBM has been the appointment of a clutch of top executives, drafted in from the world's largest computer manufacturer over the past six months. Top of the list is Mr Jim Henderson, a 21-year IBM veteran, enticed from his job as marketing director of SAA to become MSA's senior vice president of marketing. Mr Don Vander Beke, also from IBM, joined earlier this year as the director in charge of developing business partners, and Mr Ed Kans as vice president for quality.

MSA's results were better than expected for the first quarter, traditionally the company's worst period, and US analysts are cautiously predicting that after several years in the wilderness MSA may be clawing its way back to long-term profitability on the back of SAA. That view has been confirmed now that MSA has been drawn so closely under IBM's wing.

In particular they believe the launch of MSA's BrightView software, the first MSA product to be compliant with SAA.

will ensure that the Atlanta company maintains most of its existing customer base of 7,600 companies, and even expand its client list.

Mr John Inlay, chairman and chief executive officer, says he is "cautiously optimistic" about the future, and predicts the company will be profitable in 1989 as a whole.

But the company is not yet out of the woods. "One quarter does not a year make," says Mr Bill Swada, executive vice president and chief financial officer, who is one of the new breed of executives brought in at the beginning of this year.

Haunted by the proposed takeover bid a year ago by Computer Associates, the rival New Jersey-based software house, MSA is still worried its share price is not high enough to ward off a future bid. Computer Associates finally withdrew its offer, believing a hostile takeover bid would be anathema to a software company which relied almost totally on the calibre and commitment of its staff.

"The stock valuation is still only 75 per cent of our revenue," says Mr Evans. "We won't be happy until it's one to one. Until the share price is \$15 or \$16 a share we're still vulnerable."

The US investment community's growing enthusiasm for the stock has resulted in it rising from the \$7 at which it started the year on the US Nasdaq exchange to around \$11 this week.



John Inlay predicts the company will be profitable in 1989 as a whole

Investment firm in \$2bn American Medical bid

By James Buchan in New York

AMERICAN Medical International, the troubled Beverly Hills hospital management group, yesterday received a new offer from an investment firm which tentatively values it at \$2.7 a share, or about \$2bn.

The company, which has formed a special committee of its board to study rival offers, said it had received a letter from a New Jersey investment firm proposing the sale of the company to a new employee stock ownership plan for \$23 per share in cash and \$4 in a low-grade security.

The letter came from Brian Freeman Enterprises, a Roseland, New Jersey, investment firm said to have experience in employee stock plans. Because of tax benefits, employee plans can borrow funds at slightly lower rates than conventional investors and have become modestly popular as takeover vehicles.

Brian Freeman would not comment on the deal or provide information about itself. The announcement created some interest on Wall Street, where American Medical stock was up 4% at \$22. But AMI said the Brian Freeman proposal was still subject to the firm arranging financing.

Earlier this week, Clayton & Dubilier, a New York investment firm specialising in leveraged buy-outs, said it was highly confident it could raise financing for an offer of about \$1.8m, comprising \$1 a share in cash and \$3 in securities.

Seagram's first quarter boosted by acquisitions

By James Buchan

SEAGRAM, the big New York-based wine and spirits group, yesterday reported a sharp increase in net profits for the first quarter to April, thanks to contributions from businesses picked up in an acquisition spree over the past 18 months.

Seagram, controlled by the Bronfman family of Canada, said net income in the quarter rose 21 per cent to \$196.5m or \$2 a share on sales ahead 21 per cent to \$2.9bn.

The company, which is the largest wine and spirits producer in the world, is in the throes of a restating of its business and last year acquired Martell, the world No 3 cognac maker, and Tropicana, the Florida orange juice company.

In the 1988 first quarter, Martell contributed no profits and Tropicana was included for only three weeks.

Seagram also enjoyed a strong contribution from its 23 per cent holding in Du Pont, the big US chemicals group. Du Pont is enjoying strong markets for most of its products and contributed \$108.1m in profits to Seagram. Dividend income on the stake rose 24 per cent to \$27.6m.

Mr David Sachs, president of Seagram, said the improved results also reflected continued growth in international operations.

Northern Telecom, the largest telecommunications equipment manufacturer in Canada and second only to AT&T in the US, is to lay off 655 employees in Nashville as part of a reorganisation announced in December. AP-1M reports.

Nestlé set for UK listing

By David Waller

NESTLÉ looks set to become the first Swiss company for decades to have its shares listed in London.

Mr Reto Domeniconi, the food multinational's finance director, said yesterday the listing was likely to be successful within two months and would be followed later in the year with one on the Tokyo Stock Exchange.

Last summer, during the \$2.56bn (\$3.98bn) bid for Rowntree of the UK, Nestlé indicated that some of the London disclosure requirements were too onerous.

Mr Domeniconi, in the UK

yesterday to talk to institutional investors, said significant concessions had been won after months of negotiations.

"There would be no need to disclose directors' salaries except on an aggregate basis and the group profit record need not be consolidated."

The London listing is part of Nestlé's plans to increase its access to international financial markets and boost the tradability of its shares. No new money will be raised.

Last November's controversial decision to open its share register to foreigners was part of the same strategy.



Arab Banking Corporation (B.S.C.)

(Incorporated with limited liability in The State of Bahrain)

U.S. \$ 100 Million
Floating Rate Notes Due 1996
and
U.S. \$ 150 Million
Floating Rate Notes Due 2000

It is hereby announced to the holders of the U.S. \$ 100 million floating rate notes due 1996 and to the holders of U.S. \$ 150 million floating rates due 2000 issued by Arab Banking Corporation (B.S.C.) that the audited annual report and accounts for the year ended 31st December 1988 of Arab Banking Corporation (B.S.C.) are available and copies may be obtained from the Bank at the following address in Bahrain:

Arab Banking Corporation (B.S.C.)
P.O. Box 5698, Manama, State of Bahrain
or through the branch of the company at its address in London:
Arab Banking Corporation (B.S.C.)
ABC House, 1-5 Moorgate, London EC2R 6AB, England

BARCLAYS UNI-AMERICAN GROWTH TRUST

Copies of a Half-yearly Report to 31st March 1989 with an Explanatory Memorandum are now available to shareholders from:

Barclays Unicorn International
(Channel Islands) Limited, P.O. Box 152,
Rue Des Mielles, St. Helier, Jersey,
Channel Islands. (Tel: 0534 67888.)



U.S. \$100,000,000

Floating Rate Depository Receipts due 1992
Issued by Bankers Trust Company Limited evidencing indebtedness to payees of principal and interest on deposits with

Banco di Sicilia
(Established in the Republic of Italy as a Public Credit Institution)
London Branch

For the six month period 7th June, 1989 to 7th December, 1989 the Receipts will carry an interest rate of 9 1/4% per annum with a coupon amount of U.S. \$4,733.85 per U.S. \$100,000 Receipt. The relevant Interest Payment Date will be 7th December, 1989.

Bankers Trust Company, London Agent Bank



Banque Paribas

As from the 26th of May 1989, Banque Paribas (Investment) of (Delaware), with a capital of 672 million francs, and branch of Duméril-Lobé S.A. will become Banque Paribas (UK) Ltd.

Banque Paribas (UK) Ltd. constitutes from now on a network of banking and trading activities in the structure of the new group Paribas/Duméril-Lobé. The present Board of Directors comprises M. Daniel BAGALUT, M. Philippe DUVILLARDET, M. Pierre LESGRAND, under the chairmanship of M. Jacques LETENTIVE. Banque Paribas (UK) Ltd. provides a complete range of financial services and products, treasury management, asset management, financial engineering, and real-estate. It owns subsidiaries in London and in Luxembourg. It also holds 30% of the capital of Société de Bourse de Commerce.

U.S. \$150,000,000

First Interstate Overseas N.V.
Guaranteed Floating Rate Subordinated Notes Due 1995

Guaranteed on a subordinated basis as to payment of principal and interest by

First Interstate Bancorp

Interest Rate 9 1/4% per annum
Interest Period 6th June 1989 to 15th September 1989
Interest Amount per U.S. \$100,000 Note due 15th September 1989 U.S. \$4,642

Credit Suisse First Boston Limited Agent Bank

Brasilvest S.A.

Net asset value as of 1st June, 1989
per NCZ Share: 2,908.43
per Depository Share: US\$22,943.46
per Depository Share (Second Series) US\$21,545.32
per Depository Share (Third Series) US\$18,335.33
per Depository Share (Fourth Series) US\$17,129.09

Consolidated Gold Fields Finance PLC

£75,000,000
Guaranteed Floating Rate Notes 1995

unconditionally guaranteed by
Consolidated Gold Fields PLC

In accordance with the provisions of the Notes, notice is hereby given that, for the three months ending 30th June, 1989 to 30th September, 1989, the Notes will bear interest at the rate of 14 1/4% per cent. per annum. Coupon No. 18 will therefore be payable on 7th September, 1989 at £1,803.77 per coupon from Notes of £50,000 nominal and £180.38 per coupon from Notes of £25,000 nominal.

S.G. Warburg & Co. Ltd.
Agent Bank

EAGLE LIMITED

(Incorporated with limited liability in the Cayman Islands)

Series "A"
US\$ 65,000,000
Secured Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 7th June 1989 to 7th July 1989 has been fixed at 9.825% p.a. The coupon amount payable on 7th July 1989 will be US\$ 8,187.50 per US\$ 1,000,000 Note.

The Yasuda Trust and Banking Co., Ltd.
London Agent Bank

PAN-HOLDING

SOCIETE ANONYME
LUXEMBOURG

The Annual General Meeting of shareholders, which took place on May 30, 1989, approved the accounts for the year 1988.

The unconsolidated profit and loss account shows a net profit of USD 23,008,913. After the transfer to the contingency reserve of the net realised gain of USD 18,095,185, there remains a net investment income of USD 4,913,728.

The Shareholder's Annual Meeting decided the distribution to the shareholders on June 30, 1989 after the close of the markets of a dividend of USD 7.75 for the year 1988, which is to be compared to the dividend of USD 7.00 for the year 1987.

This dividend of USD 7.75, which is free of withholding tax in Luxembourg, will be payable as from July 3, 1989 onwards.

The Chairman indicated that the cash reserves, representing 33% of the assets at the beginning of 1988, had been gradually invested during the first months of the year, following the easing of economic uncertainties. At the end of December 1988, the cash amounted to 11%. Purchases related essentially to European markets and to Japan. At the end of the year, the weights of the three big economic zones were: North America: 26%, Europe: 44%, Japan: 10%.

The unconsolidated net asset value per share of Pan-Holding as of December 31, 1988 was USD 454.83 for each of the 615,000 shares of USD 100 par value forming the capital. This value is to be compared with USD 413.86 for each of the 700,000 shares of USD 50 par value forming the capital as of December 31, 1987, which represents an increase of 9.9% for the year 1988. Taking into account the dividend paid, the increase amounts to 11.6%. During 1987, the year of the market crash, the net asset value per share increased, dividend included, by 15.9%.

During the last five years, the net asset value per share of Pan-Holding increased, dividend reinvested, at the annual average rate of 16.7%. These figures show well the advantages of a long-term diversified international management.

The Annual General Meeting re-elected as Directors Messrs J. Richardson Dilworth, Jacques Loesch, Henri Parent, Alain Philippe, Ms Beatrice Philippe and Lord Roll of Ipsden, K.C.M.G., C.B. These appointments will end with the General Meeting approving the accounts for the year ending December 31, 1991.

Mr. Egide Beissel, the Statutory Auditor since 1964, has expressed the desire not to ask the General Meeting for the renewal of his mandate. The Board of Directors has expressed its regrets and its gratitude for the dedication and efficiency in the accomplishment of his duties. The Annual General Meeting has elected Mr. Jean Mangeot, former General Manager of Corporations, to replace him.

As of May 31, 1989, the unconsolidated net asset value amounted to USD 469.31 per share, showing an increase of 3.2% when compared to December 31, 1988. As of May 31, 1989, the consolidated net asset value per share was USD 477.76 against USD 462.94 as of December 31, 1988.

INTERNATIONAL CAPITAL MARKETS

Australia fails to respond to high interest rates

By Janet Bush in New York and Katharine Campbell in London

LAST MONTH'S employment data furnished Australian government bond traders with yet further evidence that the domestic economy is failing to respond adequately to the Government's high interest rate treatment. Bond prices were accordingly around 10 cents lower, as many dealers are now anticipating another round of monetary tightening.

The figures, which included news of a 0.5 per cent rise to 63.3 per cent for the May participation rate, sent the June 10-year bond futures contract, which had been trading around 86.310, sharply down to a low of 86.130. It later recovered its balance to close at 86.190.

Dealers also pointed out that yesterday's exhortations to his countrymen by Mr Bob Hawke, the Prime Minister, that they refrain from spending the proceeds from the new tax cuts on household goods represented a distinct shift from government policy at the time of the April economic statement. This contributed to the impression that the timetable for an economic slowdown has been set back somewhat.

US TREASURY bonds traded mostly higher in late trading yesterday, reflecting the steadiness of the dollar and a soft Fed Funds rate which provoked talk that the US Federal Reserve may have eased more than thought earlier this year.

Trading was cautious, however, before today's producer prices data.

In late trading, short-dated maturities were mostly around a point higher and the Treasury's benchmark 10-year bond was quoted 3/4 point higher to yield 8.25 per cent.

The Commerce Department forecast that US businesses planned to spend 6.5 per cent more on new plant and equipment this year than in 1988.

This suggests that investment will remain strong, adding to growth and was a mild negative for the bond market.

On the positive side was speculation that the bottom end of the Fed's target range for Fed Funds may be below 9 1/2 per cent.

The Fed under the chairmanship of Mr Alan Greenspan has a reputation for tight and accurate control of the Fed Funds level and this has started to slip below 9 1/2 per cent. In late trading, Fed Funds were quoted at 9 1/2 per cent.

The consensus for today's Producer Prices Index has shifted to a more optimistic 0.4 per cent gain in May compared with 0.5 per cent earlier in the week.

The dollar remains steady, reflecting increased demand for US stocks and bonds from overseas.

One uncertain factor is the direction of oil prices after the Organisation of Petroleum Exporting Countries raised its production ceiling by 1m barrels a day. Crude oil prices plunged on Wednesday but were only marginally weaker yesterday.

UK GOVERNMENT bonds rallied during the day, taking encouragement from the specific commitment late on Wednesday by Mr Nigel Lawson, the Chancellor, that there was to be no change in the Government's full funding policy and stock buy-back programme. The September long gilt future that trades on Liffe closed at 93.22, representing a gain of 1/2 over the day.

Although there was little significant retail demand, paper prices at the long end of the market was quoted around half a point firmer towards the close, with a good deal of professional short covering.

THE DUTCH market largely held on to gains made early in the day, with the latest 7.5 per cent 10-year state loan trading some 20 cents higher at 101.60.

Although yields have fallen back steadily in the past few days from the recent peaks of over 7.50 per cent, there is a degree of market nervousness engendered by the probable imposition of credit controls.

The new bond future, introduced yesterday on the Amsterdam financial futures market, traded a total of 460 contracts, representing an underlying value of Fl 115m. The contract, deliverable into physical stock, bears a nominal coupon of 7.00 per cent.

GERMAN FEDERAL bonds were marked up in early trading, but dealers soon pulled back when the recent flow of retail buying appeared to be temporarily exhausted. Sentiment had initially been boosted by the previous afternoon's strong US bond market rally, but a slightly firmer dollar soon counteracted such optimism.

On Liffe, the June bond future closed down at 93.97, after opening at 94.14.

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Swiss shiver in winds of change

Andrew Freeman on threats to the Big Three over syndication

A part from the cyclical factors which have been squeezing all in the Swiss franc bond market, most Swiss institutions are coming under pressure from important structural changes which seem to be pushing more power into the hands of the Big Three banks. The changes are not yet complete, but they have played their part in the complex formula that has led to worried brows on Zurich's Bahnhofstrasse.

Bankers argue that one structural explanation for the Swiss bond market's problems lies in the way bond issues have been syndicated, a subject which arouses considerable discord.

The primary public market is run by four so-called fixed syndicates, members of which agree to rules and restrictions on their activity in return for a guaranteed invitation into all deals launched by other syndicate members.

A recent cartel commission which examined the banking industry said this tended towards restrictive practices, a thinly-veiled attack on the largest of the syndicates which includes the three biggest Swiss banks, Union Bank, Credit Suisse and Swiss Bank Corporation.

This "big syndicate" is the most controversial, mainly because its rules do not allow members to join deals lead managed by non-members. In practice, the syndicate is dominated by the big three banks, although in theory any member can lead manage its own deal within the syndicate.

The cartel commission recommended that syndicate contracts should be abolished for issues by Swiss borrowers, and suggested that in order to ensure Switzerland's competitiveness as an international market the big syndicate's rules should be relaxed.

Although the commission's recommendations have no legal power, they can be imposed as formal rules by the federal Government if the banks fail to respond.

However, syndicate members are unenthusiastic. Mr Arthur Wulken, head of capital market transactions at UBS, says: "Only the public half of the bond deals launched in Switzerland come under syndicate rules. Note issues are privately placed and involve small ad hoc syndicates."

Another banker cynically points out that even within the big syndicate, there are extreme competitive pressures. "Co-managers are only making money on around half the deals they join, and they have had to watch the Big Three expand their market share as competition heats up."

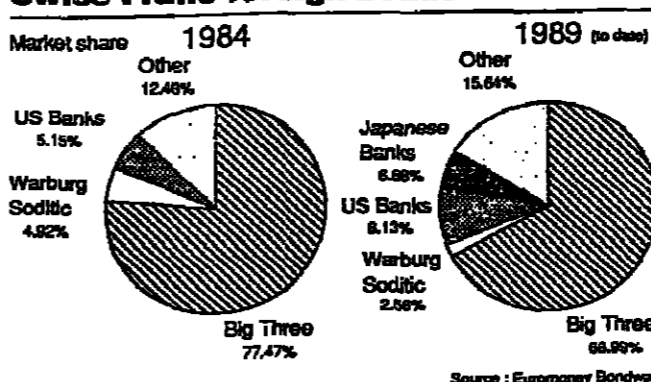
Whether the syndicates fracture in the balance, Mr Marc de Frisching of Warburg Solicit in Geneva thinks their days are numbered. "We will move towards an ad hoc system as on the notes market," he states.

The Big Three are thought to control over 90 per cent of the primary public market, up from around 70 per cent two years ago. (The chart shows both public bonds and private placements. Although showing a decline in the Big Three's overall market share, this does almost entirely to this year's performance by Nomura [Switzerland] in the private placements for Japanese borrowers.)

Mr Hans Rudolph Zehnder of Credit Suisse says: "On the placement side, we can't rely on other banks, and only the big banks have the muscle to take a big risk on their own books. In the current market conditions, the big syndicate is dominant because other players simply can't afford to be in the business."

Mr Kurt Zindler of Handelsbank, part of a rival syndicate, says: "Lead managers can rely on the underwriting stability of the syndicates. For the top banks, a Sfr100m bond issue represents small change, but for us it is a relatively big risk. With a syndicate behind us, we can safely remain in the new

Swiss Franc foreign bonds



Source: EuroMoney Bondwatch

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Maturity, Yield, etc. for various bonds.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Maturity, Yield, etc. for various stocks.

RIGHTS OFFERS

Table with columns: Issue, Amount, Maturity, Yield, etc. for various rights offers.

RISES AND FALLS YESTERDAY

Table showing percentage changes for various market indices and sectors.

TRADITIONAL OPTIONS

Table with columns: Issue, Amount, Maturity, Yield, etc. for various traditional options.

Copenhagen exchange beams data to Europe

By Hilary Barnes in Copenhagen

ANYONE with a PC, a 80cm parabolic aerial and the appropriate software can now receive data from the Copenhagen Stock Exchange anywhere in Europe via satellite.

The system was developed by PolySat, a small Danish company, in co-operation with PolyCom, a French company, and using a satellite system developed by Matra, the French telecommunications group.

Although the system is so far only transmitting data from the Copenhagen Stock Exchange, it is hoped that other stock exchanges, including London and Paris and eventually all EC stock exchanges, will use the system, said Mr Axel Hvidfeldt, PolySat's general manager.

He pointed out that in the course of 18 months, PolySat and its French associates have developed a system for linking the European stock exchanges which the stock exchanges themselves have discussed fruitfully for 10 years.

The system has been developed to make it universally adaptable to all European stock exchanges, he said.

The idea for the system came from a young Danish financier, Mr Klaus Riskaer Pedersen, and the software was developed by his Danish business information services company, Boersinformation Telecom.

It would not have been possible to set up the system without the deregulation of European telecommunications. The service is value-added and would have been smothered by the PTT's monopoly in the past, said Mr Hvidfeldt.

While satellite beaming of information to information centres is used by large companies, the PolySat system is one of few operational in Europe beaming information directly to individual users.

Mr Hvidfeldt expects the system to be used by brokers all over Europe to follow developments on the stock exchange of their choice. The system's first customers will be banks in London, Luxembourg and the Faroes.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Red Date, Price, Change, Yield, Week, Month for various government bonds.

London closing, *denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

Table with columns: Index No., Day's Change, Est. Earnings, Gross Div. Yield, etc. for various equity groups.

FIXED INTEREST

Table with columns: Index No., Day's Change, Day's High/Low, etc. for various fixed interest instruments.

AVERAGE GROSS REDEMPTION YIELDS

Table with columns: Instrument, Term, Yield for various average gross redemption yields.

Options Index 2130.9; 10am 2141.6; 11am 2143.7; Noon 2148.5; 1pm 2152.1; 2pm 2152.1; 3pm 2148.8; 3.30pm 2148.5; 4pm 2141.6; 4.15pm 2131.0; 5pm 2131.0. Highs and lows recorded, base date, with the highest and lowest at the time of publication. The Financial Times, Number One, Southwark Bridge, London SE1 1JL, price 15p, by post 34p.

LONDON TRADED OPTIONS

TURNOVER in the London Traded Options Market hit its highest level yesterday since January, reaching 63,222 contracts, comprising 48,443 calls and 14,779 puts. The recovery in the FT-SE 100 index continued, showing a gain of 25.5 points on the day to 2,143.4. Various company profit figures were well received and there were calculations made about BAT industries on the basis of how its current worth compared with its break-up value, as US interest demonstrated itself.

British Petroleum jumped away from the field in the terms of the number of options contracts traded, though pursued by another energy stock in British Gas. The BP options saw 7,289 contracts, well over 10 per cent of all dealings, and lay in 6,729 calls and only 560 puts. The July 300 calls alone brought in 5,073 contracts, as the underlying share price rose 2p on the day to 290p, and the October 300 calls 3,000.

British Gas saw 4,483 contracts handled, including 3,612 calls and 871 puts, with the underlying price of the stock gaining 5p to 165p. Particular interest in it were dealings of 1,501 contracts in the June 180 calls and of 1,368 in the September 180 calls.

Options business in the index amounted to 16,116 contracts, or just over a quarter of all business, as measured by contract volume. There were 11,013 calls and 5,102 puts traded in it. The call-put ratio on the overall market, of some four to one, suggested to at least one major house the idea that the market recovery might be peaking.

BAT options saw an active market in the options market in statistical as well as rumouring terms, attracting 3,716 contracts, comprising 2,995 calls and 721 puts. The August 600 calls alone saw 1,026 contracts and the August 650 calls some 1,278, as the share price in the underlying market rose 32p to 636p.

Options

Table with columns: Index, Call, Put, etc. for various options.

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UK COMPANY NEWS

US side boosts Yale and Valor by 43% to £49.3m

By Clay Harris

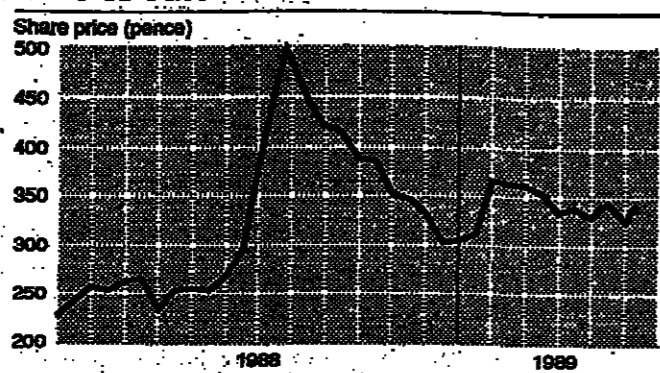
YALE AND Valor, the security products and domestic appliances group, increased pre-tax profits by 43 per cent to £49.3m in the 12 months to March 31. The advance reflected the first full-year contribution from US-based Yale and NuTone, which the much smaller Valor bought for £283.5m in 1987. The US accounted for more than half of turnover and for 69 per cent of group operating profits.

However the group also increased pre-tax margins from 11.4 per cent to 14.1 per cent. The profits rise from £34.5m was achieved on turnover ahead by 18 per cent to £349.1m (£285.8m).

By division, security products contributed operating profits of £17.7m on sales of £118.6m, home products £31.1m on £197m and industrial and other £4.1m on £33.5m.

Fully-diluted earnings per share increased by 14 per cent to 27.5p (£2.96p). Because the group is reducing the discrepancy between its dividend payments, a near-doubled interim of 3.45p is followed by a proposed final of 5.3p (5.7p). The total of 8.75p is 16.7 per cent higher than the previous 7.5p. An extraordinary dividend of £3.3m (£2.7m) reflected the loss on the sale of the cookers division, which was offset in part by the net surplus on a prop-

Yale & Valor



erty disposal after production of Dreamland electric blankets was transferred to Portugal. The group has seen no softening of demand in the UK because of higher interest rates, according to Mr Tony Marson, finance director. This year, it is budgeting for similar growth at the earnings per share level.

COMMENT

After a belmy winter like the one Britain has just enjoyed, the old Valor - dependent on gas fires, water heaters and electric blankets - would have been in a sorry and defensive state. Now, it can dismiss weather with a shrug and bask instead in the warmth of the

surging dollar. Any doubts about the wisdom of the audacious 1987 acquisition, and subsequent purchases of Miami-Carey and Risson, have now been firmly banished. This year, the strengthened management team is likely to emphasise organic growth in the core Yale and NuTone businesses and to redress the geographic imbalance just a bit. On pre-tax profits of £60m (assuming current exchange rates), the prospective fully diluted p/e is about 10%. At 28p, the shares are still nearly a third below the peak reached last summer after a flurry of unrequited bid speculation. The dollar and the underlying business are much stronger

Yale man, with valour, bemoans modern habits

"Crack addicts" and "consumer junkies" alike felt the lash of Mr Michael Montague's tongue yesterday. Yale and Valor's chairman has never been one to mince his words or confine his attention strictly to corporate affairs, writes Clay Harris.

Yesterday, Mr Montague donned a Crumewatch hat to recall nostalgically the days when, because of Valor's reliance on sales of gas fires, the weather was one of his main concerns.

"Now because the weather is only a modest part of our affairs," he told shareholders, "I have to monitor 'crack' and 'crime'. We are involved in prevention of only one of these evils: it is up to the authorities at all levels to deal with the other."

The company's Yale subsidiary, he acknowledged, was benefiting from the "saddening increase" in crime. There will be a silver lining for shareholders, however. They will be offered discounts on three Yale locks to remind them, Mr Montague said, "that they are as vulnerable as the rest of the community to the 'alarming' new crime pattern."

Turning to addiction of a different sort, Mr Montague said: "Britain is the land of the consumer junkie who has been wooed by finance houses, car companies, retail outlets - and those so easily available credit cards - and they love the habit."

He scathingly contrasted the economic climate in the US and Britain. The group's US subsidiaries had concluded two-year and three-year wage agreements at 3.9 per cent compared with 7 per cent-plus deals in the UK.

"In a nutshell, they are not in a mess and this country is," he maintained.

Some things never change at Yale and Valor. Mr Norman Davis, a former director who interrogated Mr Montague for more than an hour at the 1988 annual meeting, indicated yesterday he would propose another resolution this year.

Mr Davis will ask that the board "be augmented by the appointment of a non-executive director with experience in financial matters." Such a person, he said, would make an ideal chairman of an audit committee.

FKI Babcock doubles to £108m as break-up scheme progresses

By David Waller

FKI BABCOCK - the electrical engineering and power group formed last summer by the merger of FKI Electricals and the much larger Babcock International - yesterday announced pre-tax profits more than doubled to £107.85m, and a 47 per cent increase in earnings per share for the year to end-March.

At the same time, Lord King, chairman and Mr Tony Gardland, chief executive, said that good progress was being made with plans to split the group into three parts in order to maximise value for shareholders. Under this arrangement, the power engineering business will be demerged and the US business sold.

A circular detailing the proposals will be sent to shareholders by end-July, Mr Gardland said, and an egm called to approve the transactions. Shareholders will retain their shares in the rump of the FKI electrical side whilst being given shares in the newly quoted power company and cash on the sale of the US business.

Morgan Stanley, the US investment bank appointed to handle the sale of the US business - which generated profits of £42m last year on turnover

of £442m - has received some 50 preliminary expressions of interest. Bids should be in within three weeks, Mr Gardland said.

Last year, group pre-tax profits rose from £48.57m to £107.85m and earnings per share from 12.94p to 18.05p. Mr Gardland indicated that of the earnings increase, well over 10 per cent was organic, whilst the rest reflected the last of the rationalisation of the former Babcock businesses - and the fact that Babcock's figures were not included for the whole of the previous year.

The FKI electricals business made profits of £37m on turnover of £300m, whilst the power businesses made £34m on turnover of £563m; there was also an £15m contribution from Fata, a business sold during the course of the year. The order book was £1.5bn against turnover of £1.3bn (£904m).

The final dividend is 3.5p for a total of 4.5p (2.35p).

COMMENT

Yet another superb set of results from FKI Babcock: earnings up nearly a half against a two thirds increase in the previous year; a chunky rise in operating margins, from

5.5 to 8.3 per cent; a handsome dividend payout; a strong, debt free balance sheet and a record order book. And yet the shares yesterday fell 3p - against the trend of the market - to 167p. It is easy to sympathise with Mr Gardland's frustrations and to see why - if the break-up scheme is successful - these will be the last figures from FKI in its present form. Was the whole saga necessary? Mr Gardland argues that back in the bull market, a combination of a lofty p/e and acquisition accounting rules allowed him to rationalise Babcock in a way that no-one else could - for the benefit of both industry and investors. Fashion turned savagely in the post-Crash environment and FKI - like many other conglomerates - set on a paltry rating. Mr Gardland believes it is time to restore shareholder value by offering investors three, more sharply focused businesses. Brokers suggest a net value of between 185p and 210p per share once the deal has been done. The gap between those values and the current share price reflects the risks associated with the scheme and the difficulties of valuing the two types of paper investors will end up with.

Century Oils slides 22% to £4m

By John Thornhill

CENTURY OILS Group, the specialist lubricants manufacturer, yesterday reported a 22 per cent fall in pre-tax profits from £5.22m to £4.05m in the year to March 31.

The company said the recovery it had expected in the second half had not materialised because of continued weaknesses in selling prices and demand from customers, combined with higher chemical and oil prices. At the interim stage, Century announced pre-tax profits of £2.95m (£2.85m).

He added that profits in the second half would also be helped by the development of the group's predictive condition monitoring service which is used to analyse faults in machinery - and Antiflex, which is a coal separation process.

"It has been a particularly difficult period for us which we hope to see the back of this

year," Mr Mitchell said. Turnover rose to £94.02m (£92.34m) but raw material and operating costs grew at a faster rate to £89.78m (£85.68m).

The directors are maintaining the final dividend at 4.5p which will make an unchanged total of 8p. Earnings per share, however, fell to 8.52p (11.62p).

Mr Charles Mitchell, chairman, said there was growing evidence that lubricant prices were increasing which would help to restore profit margins in the second half of the year.

An extraordinary charge of £375,000 related to provisions made against a lawsuit and against the effects of hyperinflation in Brazil.

Century's share price eased to 169p, down 7p.

COMMENT

The feeling persists that Century is better at providing

excuses than producing profits. These results disappointed the City, accounting for the slip in the share price, and yet the company is again promising that things will be better next time round. Followers are not certain whether to believe the company, but there are some indications that business could indeed pick up this year.

An increase in lubricant prices would be welcome news for Century and the company can also hope to benefit from profits from its technical processes - although it is unclear to what extent these factors will materially affect Century's financial performance in the current year. Pre-tax profits may climb back above their 1988 level to £5.3m, putting Century on a prospective p/e ratio of about 14.5. That seems too high given the still uncertain outlook unless speculation about a bid takes tangible form.

Charter setback hits Davies & Newman shares

By Andrew Hill

Shares in Davies & Newman Holdings, the diversified group which operates the Dan-Air airline, slipped yesterday after Mr Fred Newman, the group's chairman and founder, reported that the airline's charter business had shown a further deterioration since the group's preliminary results.

The 1988 figures showed a slight increase in pre-tax profits, from £9.5m to £9.92m. Mr Newman, who retires later this year, said then that Dan-Air, which accounts for almost all the group's turnover and over 70 per cent of profits, had had a flat year.

At yesterday's annual meeting, he said charter activity had been lower than expected. Dan-Air had rescheduled its summer programme so that the peak season was fully covered - but not as successfully as planned.

Davies shares fell 20p to 78p, down 2.5 per cent against the run of the rest of the market.

Sea Containers bid expected to be rejected

By Andrew Hill

Mr James Sherwood, Sea Containers' president, is today expected to reject the unsolicited \$824m offer for the containers and Sealink ferries group.

Tiphook, the UK container rental company, and Stena, a private Swedish ferry group, launched their bid in the US two weeks ago at \$50 a share.

But shares in Bermuda-registered Sea Containers were trading at up to \$60 apiece in New York yesterday, the highest price since the offer was announced, reflecting US arbitrageurs' hopes of an improved offer.

Mr Sherwood holds 7.1 per cent of the stock, and Sea Containers' subsidiaries and management are thought to account for a further 34.5 per cent, although recent purchases by the group are subject to legal action in Bermuda.

Stena already owns some 8.2 per cent of Sea Containers, a holding which has itself been challenged by the Bermuda group in the US courts.

Norton to reverse into Minty

By John Riddling

NORTON GROUP, the motorcycle manufacturer and distribution company, is reversing into Minty, the furniture maker, in a deal which will bring it to the main market and further its strategy of diversification.

Under the two-step deal, Minty is to issue new shares to purchase Norton's entire share capital and Norton is to make a partial cash offer for 29.9 per cent of Minty's existing shares. This values Norton at £15.8m and the combined group at £27.1m. On completion, Norton shareholders will hold 68.2 per cent of the enlarged share capital.

Minty also announced yesterday that it had reached a conditional agreement to dispose of certain property and the Architectural Trading Company to Priest Mariani Holdings for £12m and £1.25m respectively.

Mr Simon Fussell, Minty's chairman is also the chairman and major shareholder in

Priest Mariani.

Mr Philippe Le Roux, Norton's chief executive, who will hold the same post in the enlarged group, said that the deal would "take us to the main market, provide a strong balance sheet and provide us with another strong brand name."

"We see our future as a conglomerate rather than just a motorcycle manufacturer," he added.

Minty designs and manufactures upholstery and cabinet furniture. In the six months to October 31 1988, it reported pre-tax losses of £168,000. As of March 22, net assets stood at £13.66m.

Mr Fussell, who will now concentrate on Priest Mariani Holdings, said that the deal made sense because "whereas Minty has lots of assets and low earnings, Norton has relatively low assets and high earnings."

Norton has already been following a policy of diversifica-

tion and acquired Pro-Fit, a US carbon steel pipe fittings distributor, for £8.7m in October last year. In the 18 months to December 31, Norton reported pre-tax profits of £1.3m and had net assets of £2.75m.

Mr Le Roux said that "while it is not fashionable to be a mini-conglomerate there are still a lot of opportunities in buying undervalued assets and cash flows." He said that the group was interested in acquiring companies in the fastener industry in both the UK and Europe.

Following the deal, Mr Fussell, Mr Paul Monks, managing director of ATC, and Mr Jim Prower, group finance director will resign from Minty's board. Mr Jimmy Thidesley, Norton's chairman, and Mr David Gnodde, finance director, will join the new board in the same role.

"Minty has received undertakings to approve the purchase of Norton in respect of 49.2 per cent of the company's shares.

THORN EMI

"The strategy is in place for long-term, profitable growth."

Profit before finance charges up 31% to £319.9m

Pre-tax profit up 28% to £289.1m

Earnings per share up 21% to 64.2p from 53.1p

Dividends per share up by 23% to 27p from 22p

EMI Music achieves highest-ever profits with virtually all 37-country operations contributing to success. Acquisitions will reinforce world position in music publishing and recording.

Lighting sees significant profit and sales growth fuelled by acquisitions. Turnover rises 30%. Sales outside the UK account for 61% of the total.

Rental and Retail profits rise to £158.5m, with strong performance by Rent-A-Center, International Rentals and HMV highlighting expansion in markets around the world.

Technology businesses - Electronics, Security Software and Meters - achieve overall 22% profit increase.

In his first annual report to THORN EMI shareholders as Chairman, Colin Southgate comments:

"The past year's performance reinforces our confidence in the strategy we have pursued over the last four years. The increased focus and restructuring of those years have provided the strength we enjoy today. As we approach a new decade, your Company is clearly on a steadily upward trend."

Strategic Follow-through

"In 1985... we (adopted) some very simple strategic objec-

tives to focus on a small number of core businesses; to concentrate on global businesses or businesses with global potential; to balance the earnings and geographic mix; and to grow both organically and through targeted acquisitions...

"We have disposed of over 60 businesses since 1985 which did not fit our global strategy and used the proceeds to focus on three international core businesses. We have acquired more than 30 carefully-selected businesses with 90% of this investment outside the UK. Our pre-tax profits have increased more than two and a half times, with profit outside the UK now 49% of the total... Earnings per share have grown by more than 20% per annum compound since 1985."

Focus and Direction

"As we enter the new financial year... THORN EMI is focused on three chosen core businesses, clearly established and readily defined as Music, Lighting and Rental. They are all successful multinational businesses, well positioned for future growth."

"We also have businesses which have not yet achieved the critical mass necessary to be global businesses but which are competitive in high growth markets, are synergistic with the core businesses, and offer significant growth potential..."

"At the year end, THORN EMI employed over 64,000 in 43 countries across six continents... Our structure, our style, and the way we think are all shaped within our strategy by the need to have agile business operations with imaginative and energetic people in them."

"This year's results, and the consistently improving performance of the last four years, should give our shareholders and our employees good cause to view their Company's future with confidence."

"We have been bold yet disciplined in reshaping THORN EMI and have carefully cultivated and grown the investments entrusted to our management... The strategy is in place for long-term, profitable growth."



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London & Associated Investment Trust PLC

Year to 31 December 1988

Highlights from Annual Review of Chairman, Michael Heller

- Net assets in the year under review have increased by £1.9m.
- Current annual rental income from the shop portfolio is in excess of £2m—the Group now has more than 300 shops, 83% of which are freehold and the balance long leasehold.
- Dividend increased by 20%.
- Bisichi Mining PLC (38% owned associate) expanded its direct mining activities and now participates in gold mining in Western Australia, Utah (USA) and South Africa.

If you would like a copy of the 1988 accounts for London & Associated Investment Trust PLC or Bisichi Mining PLC, which have just been circulated to shareholders, please write to, or telephone:

The Company Secretary
London & Associated Investment Trust PLC
and/or Bisichi Mining PLC
Stationers' Hall Court
30/32 Ludgate Hill, London EC4M 7ND
TELEPHONE: 01-236 3539

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UK COMPANY NEWS

In better-than-expected £48.5m, fuel fall is offset by other gains Coalite defence aided by profit rise

By David Waller

THE £48.5m bid battle between Anglo United and Coalite entered a bitter phase yesterday as the latter published a robust defence document supported by better-than-expected 1988/89 figures and took the opportunity to attack the track-record of its much smaller predator.

The Derbyshire-based group, which has businesses ranging from smokeless fuel manufacturing to the Falklands Island Company, made pre-tax profits of £43.5m in the year to the end of March, up from £42.5m in 1987/88 and ahead of the £46m-£48.5m expected by the market.

Earnings per share climbed by more than 13 per cent to 35.26p (31.16p), largely because of a fall from 33 to 28.6 per cent in the tax rate. Turnover climbed from £215.55m to £258.18m, while operating profit edged ahead from £41.1m to £45.32m. The final dividend is a proposed 11.25p (7.3p) making 14p (9.8p) for the year, a 43 per cent increase overall.

Coalite gave a breakdown of its profits showing that overall growth was constrained by a fall to £19.52m (£22.52m) in the fuel manufacturing and distribution business. This was offset by a 31 per cent increase to £11.9m from environment and construction and a 53 per cent surge in profits to £13.91m from trading.

Mr Eric Varley, Coalite's chairman, argued that the figures were extremely good, given the excessively mild win-



Brian Cooper (left), deputy managing director, Roger Wallace (right), financial director, and Eric Varley, chairman — the performance of the growth businesses vindicated the company's strategy

ter, and that the performance of the growth businesses — as opposed to the fuel businesses — vindicated the company's strategy.

This has been to channel the cash produced by the mature fuel businesses into faster growing areas such as construction and waste management.

Mr David McErlain, chairman of Anglo, a company with interests in open-cast mining and fuel distribution, wants to put his fuel business together with that of Coalite and sell off the other businesses.

Coalite argued that the

downturn in fuel was slight in view of the mildness of the winter; Coalite's share of the smokeless fuel market had actually increased and there was no question of neglecting it. Mr McErlain said this was the fourth time in five years that Coalite had blamed good weather for bad results.

He also pointed out that if the tax rate had been the same as in the previous year, growth in earnings per share would have been confined to just under 7 per cent.

Coalite acknowledged that some of the fall in the tax bill was due to a one-off prior-year

loss being accepted by the Inland Revenue, but said that tax planning had made sure that the rate would not climb back to historical levels.

Coalite contended that Anglo's 48p-a-share cash bid was opportunistic and inadequate, pitched at a mere 12 times 1988 earnings. It also alleged that the disposal plans were foolish and dictated by the needs of the financiers backing the smaller company.

Mr McErlain said he would respond in more detail to this challenge early next week; meanwhile, Coalite's shares rose 3p to 44p.

JFB rises 21% to £4.66m

By Ray Bashford

JOHNSON & FIETH Brown, the Sheffield-based metals and engineering group, lifted pre-tax profits 21 per cent in the six months to March 31, aided by reduced interest charges and a higher contribution from associated companies.

Profits rose from £3.85m to £4.66m while turnover edged forward to £82.17m (£84.59m). Earnings improved to 1.5p (2p) and the interim dividend is lifted 0.2p to 0.6p.

The impact on the results of lower interest charges and improved performance at associated companies was highlighted by the margin rise in operating profit to £4.11m (£3.5m).

Interest from the £4.7m cash which the company received from two disposals and placed on deposit offset other borrowing charges. The interest bill for the half fell to £212,000 (£249,000).

JFB's share of profits from associated companies advanced to £266,000 (£266,000) due primarily to a recovery at Thomson Bolton & Johnson, the electrical engineering and construction group which is jointly owned with BSC.

Mr George Jordan, finance director, said that the aerospace engineering business was an important factor in the group's underlying strength.

He said prospects remained strong, carried by long-term contracts with leading players in a buoyant industry including Rolls Royce and Pratt and Whitney.

The company also announced the acquisition of Ring Boiled Products, a subsidiary of British Steel, for £270,000 cash and £949,000 as settlement of outstanding loan accounts due to British Steel.

COMMENT

The six months under review have been important in particular reorganising the metal basher and preparing it for the expansion which is underway. Integration of Woodhouse & Dixon, acquired in October 1987, has restrained the performance but benefits will be on display when the full results are issued. The strengthening of ties with its major aerospace customers will also bolster the results from an area which shows strong indications of continued growth. The interest bill should remain pegged back by returns from invested funds and the worst appears to be over for Thomson Bolton & Johnson. However, as yesterday's acquisition indicated, the management believes there is scope for further bolt on acquisitions while continuing reorganisation of the company's clutch of small light engineering operations might also be considered. The unknown factor in the company's future is the intention of Suter, the industrial holding company which has 9.6 per cent of the group's capital. This speculative element is reckoned to account for about 5p of yesterday's closing price of 57p. Estimated full year pre-tax profits of £10m place the company on a prospective p/e of 11 — well ahead of the sector average.

Sketchley cleans up with 29% advance

By Phillip Coggan

SKETCHLEY, the dry cleaning, vending and workwear rental group, yesterday reported a 29 per cent increase in pre-tax profits and a 15 per cent increase in earnings per share for the year to March 31.

Pre-tax profits were £17.27m (£13.39m) on turnover of £216.98m (£181.12m) and the final dividend is being increased to 14.4p for a total of 20.5p (19p).

All four main divisions reported increased profits with the greatest improvement shown by the vending side which saw operating profits rise 34 per cent to £6.02m (£3.77m) on turnover of £80.03m (£59.92m).

Part of the increase was caused by the inclusion of Robserve which during the year was merged with Break-

mate. The two companies now trade under the name of Sketchley Vending.

The consumer services division, which includes the dry cleaning shops, saw profits grow by 25 per cent to £5.2m (£4.17m) on turnover of £54.92m (£50.63m).

Thirty-five new stores were opened and five were closed, bringing the total number of outlets to 499.

During the year, Sketchley sold the Equipu photocopying business and the office services division now consists of Melindata, which distributes computer peripherals and micro-computer products. The division made profits of £3.04m (£1.96m) on turnover of £27.5m (£15.88m).

The textile services division, which rents and cleans workwear, increased operating prof-

its to £4.6m (£3.84m) on turnover of £42.47m (£34m). Mr Malcolm Glenn, chairman, said the newly established Sketchley Corporate Clothing, which provides clothes for "front-of-house" employees, had strong potential for growth.

Gearing is 115 per cent, but if the leasing activities are excluded, the ratio falls to 39 per cent. Interest payable was £5.52m (£3.56m).

There was an extraordinary credit of £3.8m relating to the disposal of Equipu but this was offset by the £4.01m provision for reorganisation and disclosure costs.

COMMENT
Has Sketchley turned the corner? At last earnings per share have moved forward after being stuck in a rut since 1984. All divisions showed profits

improvements and Mr Glenn says the group structure is now how he wants it. However, there are still one or two signs of weakness. The company took £2m of restructuring costs below the line and included £1.4m of property profits above it; the former indicates that last year's profits improvement might not have been quite so impressive as it appears, the latter slightly dilutes the quality of the earnings. And although the yield is high at 64 per cent, dividend cover is low. If Mr Glenn can produce another year of 15 per cent earnings growth, Sketchley's image might re-emerge spotless after the gloomy years of the mid-1980s; if growth falls short, a bidder might emerge.

In the meantime, the shares at 48p look fully valued on a prospective p/e of 11.

LWT cuts Hutchinson link

By Andrew Hill

LWT (Holdings), the weekend television contractor for London, has ended its 11-year relationship with Hutchinson, the publisher which merged with Century in 1985.

The company is to commit its 23.4 per cent stake in Century Hutchinson to Random House, the US publisher which this week agreed to buy the UK publishing group for about \$64m.

The disposal will raise about

£15m compared with the book value of £4.5m. In 1988 the holding earned LWT £800,000.

Mr Christopher Bland, chairman of LWT and Century Hutchinson, said yesterday that the proceeds would be used to develop LWT's core television business.

The group has now sold or agreed to sell all its non-core activities. It disposed of Page & Moy, the travel subsidiary, last year, and five other indepen-

dent television companies, will sell its stake in TV Times to Reed International.

LWT bought Hutchinson in 1978, reducing its stake to 25 per cent after the merger with Century in 1985.

Mr Bland said he thought the price offered by Random House would probably not have been bettered through a stock market listing which was Century Hutchinson's original intention.

Camford Eng. advances 41%

Taxable profits at Camford Engineering showed an advance of 41 per cent from £1.57m to £2.22m in the six months to the end of March.

The Stevenage-based general engineering group achieved the improvement on turnover ahead to \$49.41m (\$48.51m).

After tax of £325,000 (£248,000), an interim dividend of 1.3p (1p) is declared from earnings of 7.33p (5.37p) per share.

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May 1989

UK COMPANY NEWS

Seeking opportunities together

Clare Pearson considers the possibility of a takeover at Fosco

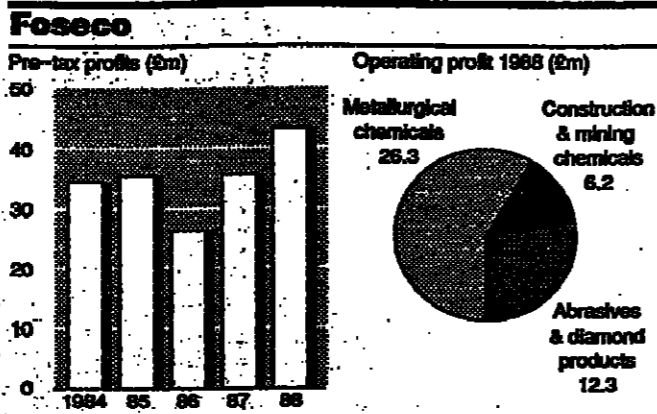
OF ALL THE moments in the chequered recent history of Fosco, the specialist chemicals and abrasives group, now looks like a very unlikely time for a predator to strike.

Its shares, although not highly rated, are in far better shape than they were two years ago, after Fosco suffered its second profits setback of the 1980s. Meanwhile, boom conditions in its main steel and foundry markets which have buoyed up its performance are deemed to be nearing an end.

Nevertheless, after heavy trading and a sharp share price rise in recent days, Fosco on Wednesday uncovered a couple of intriguing new shareholders in the form of the US-based Scharf brothers, who owned a combined 4.4 per cent stake as of Thursday last week.

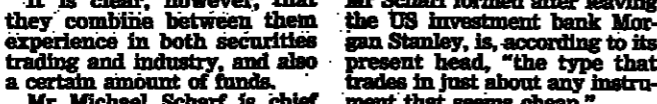
The development has triggered a 25 per cent rise in the share price over the past week, pushing the market value to £301m. It has also set the market wondering whether there might be something about Fosco, frequently dismissed on the grounds that it has never been able to shake off its cyclicality, that the City has overlooked.

The Scharfs determinedly have "no comment" about their investment. Yesterday Mr Gilbert Scharf volunteered: "We are just two businessmen



Fosco Pre-tax profits (£m)

Operating profit 1988 (£m)



Operating profit 1988 (£m)

seeking out opportunities together. Let's just leave it at that."

It is clear, however, that they combine, between them, experience in both securities trading and industry, and also a certain amount of funds.

Mr Michael Scharf is chief executive of Edgmont Corporation. This US operator of medical services centres last month agreed to a buy-out bid led by other members of its management. Mr Scharf, the biggest single shareholder, is expected to net more than \$30m. According to his brother, he also has "diverse other business interests."

Mr Gilbert Scharf joined his brother in New York earlier this year having given up his job as head of the capital mar-

kets division at Lazard Brothers, the UK merchant bank. This operation, which Mr Scharf formed after leaving the US investment bank Morgan Stanley, is, according to its present head, "the type that trades in just about any instrument that seems cheap."

The picture suggests strongly these two individuals are hoping to finish out a third party bidder for Fosco rather than preparing one themselves.

Mr Peter Cartwright, chemicals analyst at stockbroker Williams de Bruin Hill Chaplin, points out that it would in any case be extremely difficult to mount a heavily debt-backed offer for Fosco. This is because it would be hard to convince the backers it would

be possible to nail down the cash flow from its complex array of small subsidiaries around the world.

But in spite of persistent rumours covering practically every possible suspect, especially after the second profits setback in 1988, no other company has ever emerged as a bidder.

These days, although not highly esteemed in the City, the management under Mr Bob Jordan, chief executive since early 1987, is thought to have done a reasonable job in loss elimination and restructuring. A 22 per cent rise in pre-tax profits to £43.1m was achieved in 1988, and more growth, albeit at a lower level as the recovery phase comes to an end, is expected this year.

Nevertheless, the company appears to be getting more vague about when its stated aim of achieving 10 per cent margins will be achieved; it is strongly cash-generative; and there are doubts about its long-term future unless it broadens out by making a big acquisition.

All these factors ought to make it a takeover candidate. Additionally, there are some such as Mr Cartwright who feel that its proprietary technology in a number of products, such as ceramic filters for molten metals, is consistently underestimated by the City.

Another Rockwood purchase

By Edward Sussman

ROCKWOOD Holdings, the acquisitive US-listed distribution group, has agreed to buy Interfreight Group, a shipping and forwarding consortium, for an initial \$7m (£4.4m).

Rockwood will pay \$3.5m cash and an equal amount of bank guaranteed promissory notes for the Transocean Mercantile Establishment and the Sudfreight Establishment, known together as Interfreight. Up to a further \$7m may be paid depending on profits up until May 1991.

Interfreight, a consortium of companies based in West Germany, the Netherlands and the UK, is owned by Johann Eliasberg. It ships and distributes European goods and equipment to east and central Africa and returns agricultural commodities, including coffee and tobacco, to Europe. Book value at end-1988 was \$5.1m, but Rockwood believed it will be revalued to at least \$7m.

Rockwood said its present operations between Europe and Africa were only marginally profitable, and believed the acquisition will boost these results.

The acquisition is subject to the approval of Rockwood shareholders.

Objection to Chloride motive power sale withdrawn

By Nikki Tait

DR MAURICE GILLIBRAND, a long-standing dissident voice at shareholders meetings of battery group Chloride, said yesterday that he would not now be opposing the resolution being put forward at the extraordinary general meeting to be held this morning.

The motion is to approve the sale of Chloride's motive power business to Compagnie Générale d'Electricité for £55m. However, Dr Gillibrand made clear that he still expected to raise questions at the meeting, provided there is sufficient turnout to warrant this. He suggested that shareholders still need to know about the profitability of the remaining parts of the business.

Dr Gillibrand said yesterday that he had been attempting to

generate an alternative "rescue plan" for Chloride over the past week, which would involve some form of capital-raising rather than the sale of the motive power interests. These, he argues, constitute one of the most profitable parts of Chloride's operations.

However, he added that he had previously told the Chloride board that, if they were prepared to consider his proposals, he would not vote against the sale if he failed to rally support. Despite meetings with three major institutions this week - the Prudential, KCI Pension Fund and M&G - as well as Chloride itself, Dr Gillibrand conceded yesterday that support had not been forthcoming.

Chloride - which has had a

highly uneven record in the past - surprised the market in April by warning that profits in the year to end-March would be down on the previous year. At the same time, it announced the motive power sale and said that Exide Europe, the car battery business whose poor performance was partly responsible for the profit figures, would also be sold - a deal which has now been cemented. It has since made clear that debt rose by over £50m, from £28m, during the year, and has given the market a second unwelcome surprise by cutting the final dividend.

The company, however, argues that there are limited prospects for further growth of the motive power business in its present form.

Flexello back in black

FLEXELLO Castors & Wheels reported an interim pre-tax profit of £508,000, against a loss last time of £29,000. The comparable result was struck after exceptional reorganisation costs of £440,000.

Turnover in the six months to the end of March increased 12 per cent to £8.28m (£7.57m). Earnings per share were

10.12p (0.53p losses) and the interim dividend has been raised from 1.5p to 1.67p.

Mr Geoffrey Day, chairman, said the improvement was achieved despite the higher interest charges of £157,000 (£68,000) resulting from increased borrowing needed for the restructuring programme.

ITL drops into red

ITL Information Technology, a designer and supplier of computer and communication application systems, dipped sharply into the red in the year to April 2 1989. On turnover slightly ahead at £31.51m (£31.12m), the pre-tax deficit amounted to £1.15m, against profits of £2.52m. A single dividend of 0.5p is proposed compared with a total of 2p.

Frozen foods side helps Hunter Saphir rise 21%

HUNTER SAPHIR, the food manufacturer and distributor, yesterday showed continued growth in unvetting a 21 per cent increase in pre-tax profits for the year to February 28.

On turnover ahead at £167.56m (£163.67m), the taxable result came out at £5.06m compared with £5.01m in 1987-88.

Mr Nicholas Saphir, chairman, said considerable growth had been achieved in the core manufacturing businesses of frozen and long life foods, and

that all the food manufacturing businesses had extended their catalogues. Produce operations had also improved during the year.

Although it was too early to assess the outcome for the current year, Mr Saphir said the company had been performing satisfactorily in the first few months.

Earnings per share rose 25 per cent from 11.38p to 14.14p. The final dividend is lifted to 3.7p making a total for the year of 5.06p (4.06p).

BOARD MEETINGS

The following companies have notified dates of board meetings in the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Certain dates are not available as to whether the dividends are interim or final and the dates shown below are based, roughly, on last year's timesheets.

TODAY
Interim: Willoughby's Consolidated, Phoenix Brown Shipping, Chancery, Ego.

Company	Date
Boots	July 6
British Gas	July 6
Conary Oil	July 6
Coastal Group	July 6
Finlay (James)	July 6
F&I Babcock	July 6
Flexello Castors	July 6
Gaynor Group	July 6
Heaver Druce	July 6
Hunter Saphir	July 6
ITL Information	July 6
Johnson Firth	July 6
New Thrombolite	July 6
NMC Group	July 6
Oxford Instrum	July 6
Pedimerson Holdings	July 6
Phoenix Timber	July 6
Powerstream Int	July 6
600 Group	July 6
Sketchley	July 6
Thorn EM	July 6
VPI	July 6
Yale & Volor	July 6

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Boots	6.5		5.7	10	8.8
British Gas	6.25p	Oct 4	5.5	9	8
Broadwell Land	3.94		0	0	0
Conary Oil	4.25	Aug 4	4.25	8	6
Coastal Group	11.25p	Aug 21	7.3	14	9.8
Finlay (James)	2.15	July 27	2.15	4.15p	4.15
F&I Babcock	3.5		1.75	4.5	2.95
Flexello Castors	1.67	July 28	1.5	3.17	4.9
Gaynor Group	1.2	July 28	1.2	2.4	2.4
Heaver Druce	3.5	July 31	3	6	4.35
Hunter Saphir	3.71	July 28	2.7	5.06	4.06
ITL Information	0.5	July 28	1.8	2.3	2
Johnson Firth	0.8	July 27	0.8	1.6	2
New Thrombolite	4.75	July 19	4	8.75	5.5
NMC Group	2.3	Oct 2	1.8	3.3	2.9
Oxford Instrum	2.2		1.8	3.2	2.7
Pedimerson Holdings	3.75		0.5	4.25	3.5
Phoenix Timber	1.55p	Aug 1	1.5	2.75	2.5
Powerstream Int	3		2.5	4.2	3.5
600 Group	3.74	July 31	3.49	6.2	5.775
Sketchley	14.4	Aug 3	13	27.9	19
Thorn EM	19.5	Oct 8	18	27	22
VPI	1.1	Aug 16	1	2	3.5
Yale & Volor	5.9p	Oct 6	5.7	8.75	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market.

GRANVILLE

SPONSORED SECURITIES

High Low	Company	Price	Change	Yield %	P/E
337 295	As. Dr. Ind. Dr. Ind.	337	-2	10.5	31.91
30 28	Avon	30	0	2.1	6.73
20 18	BBS Design Group (USM)	20	0	2.7	14.34
210 149	Barton Group	200	0	6.7	14.4
124 105	Barton Group Dr. Prof. (SE)	125	0	5.9	5.8
123 100	Bay Technology	101	0	11.9	10.2
110 107	Brenhill Cov. Prof.	108	0	14.7	4.9
305 285	CSI Group Dr. Prof.	295	0	12.7	4.9
176 165	CSI Group 11% Cum. Prof.	175	0	7.4	37.121
210 140	Carbo Pte (SE)	138	0	18.3	9.4
110 109	Carbo 7.5% Prof (SE)	110	0	22.8	3.9
402 355	George Blair	402	0	7.1	3.9
125 119	Int. Group	125	0	7.1	3.9
104 115	Jackson Group (SE)	100	0	7.5	4.7
322 261	Multimedia NV (USM/SE)	305	0	18.7	4.8
112 98	Robert Jenkins	112	0	9.3	3.3
427 375	Scoville	427	0	18.7	4.8
267 270	Torrey & Carlisle	265	0	9.3	3.3
117 100	Torrey & Carlisle Cum. Prof.	117	0	18.7	4.8
122 92	Trehan Holdings (USM)	98	0	2.7	18.5
122 108	Unicrest Europe Cum. Prof.	122	0	9.3	7.8
362 355	Veterinary Drug Co. Pte	360	0	22.0	5.6
570 327	W.S. Yates	333	0	16.2	4.9

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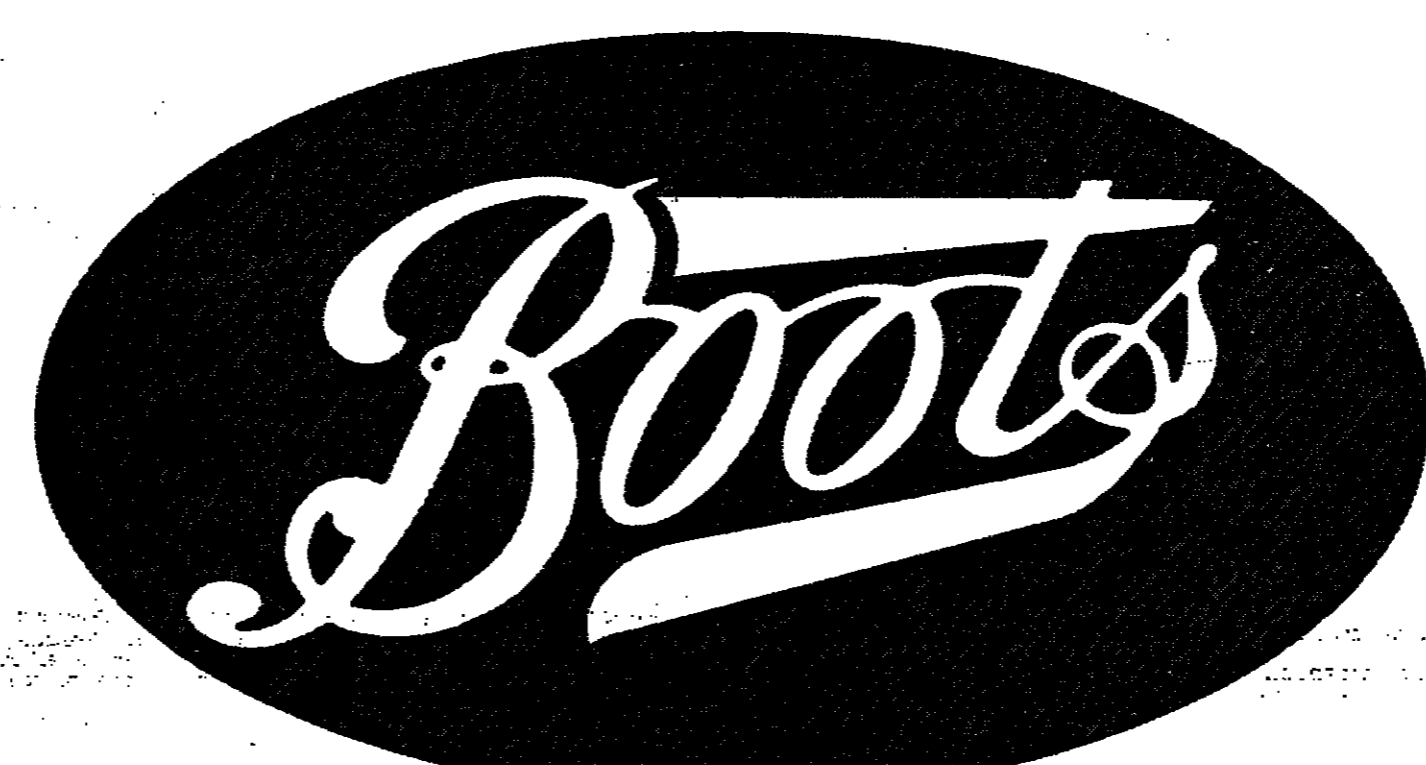
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FT 30 FTSE 100 WALL STREET
Jun. 1774/1783 +10 Jun. 2145/2155 +19 Jun. 2510/2522 +1
Sep. 1816/1825 +13 Sep. 2195/2205 +22 Sep. 2545/2557 +1

Prices taken at 5pm and change is from previous close at 9pm.



RECORD PROFITS UP 19.1%

STRONG RETAIL PERFORMANCE

Highlights from the Preliminary Results to 31st March 1989

	1989	1988 comparable	
● Pre-tax profit	£306.7m	£257.6m	+19.1%
● Pre-tax profit (excluding property disposals)	£295.0m	£236.3m	+24.8%
● Earnings per share	22.6p	19.6p	+15.3%
● Final dividend	6.5p	5.7p	+14.0%

Commenting on the results in the preliminary announcement the Chairman, Robert Gunn said:

"These results have been powered by an excellent performance from our retail operation, with strong support from the Pharmaceuticals Division. In a tough year for retailers our figures clearly demonstrate the abilities and determination of our retail management and the overall strength of our operation."

THE BOOTS COMPANY PLC

The full report and accounts will be posted to shareholders on 29th June 1989 and will be available from the Secretary of The Boots Company PLC, Nottingham NG2 3AA.

UK COMPANY NEWS

600 beats City forecasts with 52% rise to £10m

By John Ridding

IMPROVED DEMAND across all its divisions and the benefits of restructuring prompted a 52 per cent increase in pre-tax profits to £10.1m at 600 Group, the machine tools company, for the year to March 31.

The results, which were in excess of City forecasts, included a £1.7m exceptional gain on property disposals. However, this was offset by reorganisation and restructuring costs and a provision for claims on a Middle East contract.

Group turnover increased from £128.5m to £156.5m with all three of the group's divisions - UK manufacturing, UK trading and overseas - experiencing strong gains. The largest contribution came from the first of these, which increased profits from £1.4m to £4.3m.

Mr Noel Davies, chief executive, said the group's current

strategy was illustrated through three projects undertaken during the year - the rationalisation of Colchester Lathe, the further move into electro optics through acquisition, and the construction of a purpose built factory for the GCM 600 subsidiary.

Earnings per share increased from 11.5p to 14.8p. There is a final dividend of 3.74p, giving a total of 6.2p (5.775p).

COMMENT

An increase in sales goes a long way at the more efficient 600 Group, pushing margins up from 7.3 to 10 per cent, and resulting in a strong performance at the operating level. The City, pleasantly surprised, marked shares up 9p to 139p. The question is whether such performance can be maintained in today's less clement

economy. While the company is right to express caution, a degree of protection is afforded by its strategy of subcontracting wherever possible, by developing the less mature electro optics business and by geographical expansion. In addition, with 60 per cent of UK products exported, the current level of sterling, volatile or not, should prove beneficial. These factors, combined with the current strong level of orders and the likelihood of further property sales, suggests that pre-tax profits of £12.5m should be reached in the current year. This puts shares on a prospective multiple of 8.5 - attractive even without considering that, after the property revaluation, assets per share are just 5p below the price.

Strong demand lifts Powerscreen by 28%

By Vanessa Houlder

POWERSCREEN International, the Northern Ireland-based manufacturer of crushing and screening equipment, yesterday announced a 28 per cent increase in pre-tax profits from £9.0m to £11.55m for the year to March 31.

Turnover was almost static at £48.88m (£48.52m). However, excluding British Benzol, the solid fuels distribution business which had a turnover of £17.5m in 1987-8 and was sold last June, there was a 63 per cent rise in turnover.

The company said it had reached a "highly satisfactory" agreement with the Inland Revenue, which would remove a £20m contingent liability from the accounts, in return for a one-off payment of £2.5m. The tax charge for this year will be similar to last year's total of 19.3 per cent, it said.

Mr Patrick Dougan, chairman, said that demand had grown strongly, helped by expansion in Europe and continued growth in the construction and waste recycling industries.

The profits of Royer Industries, a US maker of soil and compost shredding equipment bought in January, were expected to show rapid improvement following an increased emphasis on marketing, said Mr Dougan.

The company had net cash of £5.6m at the end of the year. There was an extraordinary item of £3.3m resulting from the tax settlement, redundan-

cies at the Belleek potteries and Benzol sale costs.

Fully diluted earnings per share rose 10.1p to 12.0p. A final dividend of 3p per share was proposed, which together with the 12p interim, represents an increase of 20 per cent over last year's total of 3.5p.

COMMENT

Credibility has not always been Powerscreen's strong point, so the City welcomed these results which showed the company put its image problems behind it. Gone is the taint of the British Benzol businesses that damaged last year's results. The agreement with the Inland Revenue removes the spectre of a £20m contingent liability. And the judicious Royer acquisition should dispel some of the doubts about its acquisition policy raised by last year's rather curious purchase of Belleek Pottery. As a result, the shares now look somewhat undervalued on a rating of 8, assuming pre-tax profits of £14m and a share price of 4p to 11p. Looking ahead, Powerscreen should benefit from the stronger dollar, its increased manufacturing capacity, higher spending on roads and engineering up its Royer acquisition. And while the group is unlikely to be given the fancy ratings of "green" stocks, environmental pressures can only add to the demand for recycling materials.

Fergabrook restructures as it falls to loss of £4m

By Peter Pearce

FERGABROOK GROUP, the USM-quoted distributor of consumer merchandise, plunged sharply from pre-tax profits of £541,000 in 1987 into losses of £4.22m in 1988. Losses per share were 10.72p, against earnings of 1.52p.

Coinciding with, and as a result of, the results, a major reorganisation of the group was also announced. This includes a rights issue to raise £2.7m gross on the basis of three new ordinary for every eight held and three new ordinary for every £2 nominal of 12 per cent convertible measured loan stock 1992/1997.

Further setback at Neotronics Technology

Neotronics Technology, the Hertfordshire-based instrument manufacturer which experienced a 32 per cent pre-tax profit setback to £1.8m for the 1987-88 year, continued on a downward path for the opening six months of the current year.

For the six months to March 31 turnover edged ahead to £5.9m (£5.29m) but at the pre-tax level profits fell from £1.6m to \$95,000.

The directors said the results of the substantial investments made during the past year and the beginning of this year were expected to show through during the second half although full benefits would not be felt until next year and beyond.

They added that the second six months had started with a substantial increase in booked orders which were expected to provide additional revenue for the full year.

First half earnings amounted to 2.3p (2.8p) per share and the interim dividend is maintained at 0.6p; last year's total payment was 1.8p.

During 1988 the company shed two of its three divisions - cosmetics and toiletries (closed) and security and electrical (sold).

These discontinued operations incurred losses of £1.5m (£80,000) on turnover of £2.5m (£2.39m).

The toy division, which the company said suffered from inadequacies in the infrastructure and internal reporting, top-heavy group charges and insufficient working capital, fell into losses of £1.5m (pre-tax £2.02m) on turnover down to £16.63m (£20.72m).

In a move to strengthen its management and capital base Fergabrook acquired Relaxstons in September. Since then, and to complement Relaxstons' plastic moulding capabilities, the company has, through a subsidiary, agreed to acquire Ward Adams and Ward Adams (Technical Mouldings) for £1.65m cash.

The directors said they were confident that the interim results for the half-year to June 30 1989 would show a substantial reduction against the £2.5m losses last time.

SANWA AUSTRALIA LEASING LIMITED
A\$100,000,000
Guaranteed Floating Rate Notes Due 1993
In accordance with the conditions of the notes, notice is hereby given that for the three-month period 9th June 1989 to 11th September 1989 (94 days) the notes will carry an interest rate of 18.0317% p.a. Relevant interest payments will be as follows:
Notes of A\$100,000- A\$4643.78 per coupon.
THE SANWA BANK LIMITED
Agent Bank

Purchases help NMC double

By Edward Sussman

NMC Group, the specialist packaging and property company, reaping substantial benefits from its acquisition of Universal Packaging of the US, increased pre-tax profits 59 per cent from £6.32m to £10.06m in the year to March 31.

Turnover doubled from £49.67m to £98.27m, largely because of the acquisition strategy followed by Mr Norman Gordon, chief executive, and backed by the Smith brothers, holders of a 20.5 per cent stake.

The share price remained steady at 185p yesterday, but below the 162p level they were trading at three weeks ago after NMC's announcement it

had received a tentative bid approach, thought to come from Jefferson Smurfit, the Dublin-based packaging group, and later terminated.

The packaging division profit contribution doubled to £9.16m (£4.56m). Mr Gordon said he expected UPC, bought for an initial \$87m (£56m) in August, to account for about one third of profit when it was incorporated into results for a full year.

He added that the acquisition had proven favourable in terms of currency and interest rates. UK packaging also performed well, the company said, except for its Kent corrugated business, which was sold after

the year end for £1.63m resulting in a \$968,000 extraordinary loss.

Profit from the property and financial sectors surged from £1.89m to £2.02m. Despite interest rate concerns, Mr Gordon said the company was looking for growth in the property division.

Net interest payable was £1.55m, a sharp change from last year's receivable of £465,000, and gearing was 70 per cent. Tax paid in the latest period was £3.16m (£2.21m). Earnings per share, on a fully diluted basis, were 13.04p (10.43p). A final dividend of 2.3p is recommended, for a total of 3.2p (2.3p).

Wooltons losses hit Betterware

By Vanessa Houlder

BETTERWARE Consumer Products, the USM-quoted housewares group formerly known as Wooltons Betterware Group, announced a fall in pre-tax profits from £1.245m to \$549,000 for the year to February 28.

However, the contribution from continuing activities increased by 44 per cent to £1.8m (£1.25m), on turnover of £11.23m (£8.07m). These were offset by losses at the Wooltons cosmetics business, which was sold to Lohno for £2.5m last August. The sale generated an extraordinary profit of £1.43m.

Betterware Sales, the core business which makes door-to-door sales of brushes, kitchen equipment and DIY

products, increased profits by 59 per cent to £1.6m (£1m). The division is planning to expand on to the Continent. It is also increasing its product range to include cosmetics.

The company plans to manufacture all its products within the next 18 months. This will be achieved with the help of the spare manufacturing capacity of Crayons and Gecco, maker of kitchen, bathroom and garden accessories, which was bought from McKelvie in May.

During the year, the company also bought Concept Housewares, SABCO, Moka Express and Universal Agencies to extend its sourcing and manufacturing ability. In addition it

acquired W Hill, a Bond Street cashmere retailer, and Petworth House, a retailer of sports goods.

Rekrith, a specialist textile manufacturer, suffered weakened margins as a result of a disruption following the installation of computers. There were also losses from Interhome Direct, a mail order business which was discontinued in the latter half of the year.

Earnings per share fell from 8.9p to 5.21p. A final dividend of 3.75p is recommended, making a total of 5.55p (4.4p). The Cohen family, which owns 80 per cent of the shares, have waived their entitlement to half the interim and final dividends.

Institutions back Burns network

By Andrew Hill

ELEVEN financial institutions have invested £3m in the Burns-Anderson Independent Network - a group of financial advisory firms belonging to Burns-Anderson Group, the financial and recruitment services company.

The institutions, which include Commercial Union, Norwich Union and Sun Life, have bought 3m convertible redeemable preference preference shares in the wholly-owned subsidiary.

Burns-Anderson hopes to float the network within five years. If the group succeeds, the institutional investors will

receive ordinary shares worth £1.50 in exchange for each convertible.

Mr Alan Moore, chief executive, said there was no conflict involved in institutions funding an independent financial advisory service. He said several of the investors already held shares in the parent company.

There is no suggestion that because they happen to be shareholders in the group, our independent firms are going all-out to sell their products, said Mr Moore yesterday.

He pointed out that if the network were successful, it

could be valued at as much as £30m by flotation. The 11 institutions' investment would be worth only £4.5m, or less than 15 per cent each.

Burns-Anderson - headed by former ICI chairman Sir John Harvey-Jones - set up the network in February 1986. It originally aimed to have brought about 1,000 individual members, or about 300 firms, under its umbrella within five years.

But Mr Moore said that it had accelerated its plans, and now hoped to have 200 member firms by March 31 1991, against 100 at the moment.

Sheldon Jones joins Unilever for £3.8m

UNILEVER, the Anglo-Dutch consumer products group, announced that BOCM Silcock, its British animal feeds subsidiary, is acquiring the agricultural division of Sheldon Jones, the USM-quoted animal feeds manufacturer and crop products supplier.

The division, which produces compound animal feed at mills in Wells, Somerset, and Halberton, Devon, is being purchased for approximately £3.8m cash.

The Sheldon Jones business will run as a separate division of BOCM, with its own brand names and products, but will have access to the extensive nutritional expertise at BOCM.

BOCM, the market leader in compound animal feeds, sees the acquisition as a strategic move in its development of service to customers, and as a good opportunity to rationalise its production capacity in the south west of England.

Bardsey accepts alternative bid for Rabone subsidiary

BARDSEY, the hand tool manufacturer and distributor, is recommending acceptance of a higher alternative offer for its Rabone Chesterman subsidiary.

Cooper Industries, the US hand tools manufacturer, is bidding £9.5m for the company, compared with £8.5m offered last month by Stanley Works, the UK offshoot of the US-based tools and hardware group.

The Cooper offer is £7.7m cash and the balance through the assumption of liabilities held by Rabone Chesterman. The Stanley offer was on the same basis with a higher cash element.

The plan also calls for freehold properties with a book value of £2m to be retained by Bardsey and leased to the purchaser.

A meeting of shareholders on June 23 has been called to consider the deal with Cooper and reject the Stanley offer.

RCO rises 41%

First half profits of RCO Holdings advanced nearly 41 per cent from £223,000 to £313,000 in the six months to March 31 1989, rose to 213.78p (£10.83m). Earnings rose to 7.85p (5.57p) and the interim dividend is lifted to 2.7p (2p).

This announcement appears as a matter of record only, June 1989.



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London Branch

The Hongkong and Shanghai Banking Corporation
Lloyds Bank Plc

Managers:

Barclays Bank PLC

The Royal Bank of Scotland plc

Participants:

The Bank of Yokohama, Ltd.

Crédit Lyonnais, London Branch

Manufacturers Hanover Trust Company

Facility and Security Agent:

Lloyds Bank Plc

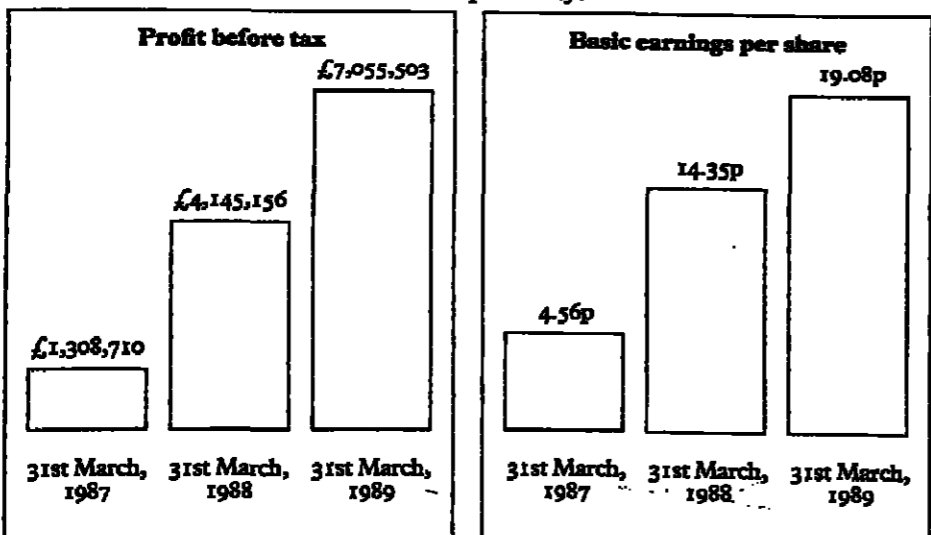
Lloyds Bank
Capital Markets
GroupBRITISH & COMMONWEALTH
MERCHANT BANK
PLCBROADWELL
Land plc

Extracts from the statement by Chairman, Iain Shearer

"A successful year during which the company's pre-tax profits increased by 70% to £7.05 million.

Earnings per share increased by 32% to 19.08p.

Development programme now extends through to mid-1990s having grown to 2.6 million square feet with an ultimate sales value in excess of £600 million compared to last year's figures of 1.5 million square feet and £270 million respectively."



Broadwell Land Plc, The Glasshouse,
49a Goldhawk Road, London W12 8QP. Tel: (01) 743 9414

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OLIVER RESOURCES PLC

Registered Number 35228

(Incorporated in Ireland with limited liability)

Introduction of the whole of the issued share capital by
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Authorised

IR £3,000,000

Share Capital

Ordinary Shares of IR 5p each

Issued and

fully paid

IR £2,027,016

The Company is engaged in the exploration for, development of and production of natural resources on an international basis.

References herein to IR £ or IR p are references to the lawful currency for the time being of the Republic of Ireland.

Full particulars of the Company are available through the Eutel Unlisted Securities Market Service and copies may be obtained during business hours on any weekday (Saturday excepted) up to and including 23 June 1989 from:-

Hobson Audley
7 Pilgrim Street
London EC4V 6DR

T C Coombs & Co
4-5 Bonhill Street
London EC2A 4BX

Gerrard Scallan & O'Brien
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Dublin 2

and during business hours on 12 June and 13 June 1989 from Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD.

9 June 1989

UK COMPANY NEWS

Synchrotron costs restrict Oxford

By Claire Pearson

EXTRA PROVISIONS for the synchrotron micro-chip project meant pre-tax profits of Oxford Instruments, the high technology group, came off just one per cent higher at £11.27m in the year to March 31.

However, thanks to rationalisation benefits on the dominant magnetic resonance imaging (MRI) side, which is being transformed through the setting up of a joint venture with Siemens, the West German electronics group, profits before the exceptional debit were 24 per cent higher at £14.51m (£11.52m).

The extra provision of £1.7m in the second half for synchrotron, a machine allowing for the production of a new kind of small, high capacity chip, came after 250,000 laid aside at the

half-way stage. The extra provision arose from delivery delays on the part of subcontractors.

Mr Peter Williams, chief executive, said the size of the provision reflected the fact that the project was now sufficiently advanced for Oxford to know what the worst could be. A first prototype is due to be sent out early in 1991.

Oxford expects to get regulatory approval in August for its move to pool resources with Siemens in MRI, which is used for diagnostic purposes. The deal gives Siemens a 51 per cent stake in Oxford Magnet Technology, and Oxford net cash of about £15m.

The company said the arrangement was an extension of its drive for greater cost

competitiveness following earlier moves such as the closing of the New Jersey factory.

Oxford's cash resources totalled £23m at the balance sheet date. Mr Williams said the company continued to look for acquisition targets in the areas of scientific instrumentation and medical patient monitoring.

Turnover was £101.13m (£99.14m). Rationalisations in MRI accounted for £85,000 of the exceptional costs. Earnings per share were 15p (14.9p). The proposed final dividend is set at 3.2p making 3.2p (2.7p) for the year.

COMMENT
Mid speculation surrounding Oxford Instruments, never very robust, was dealt a blow

after the announcement last month of the Siemens deal. These days followers of the company are back to waiting patiently for the long drawn-out synchrotron project to bear fruit. Mr Williams struck a confident note yesterday, saying he was expecting the machine, which could have revolutionary implications for the semi-conductor industry, to "blow out the door". This year, however, it will continue to eat up funds while the Siemens arrangement, although sensible in the longer term, is bound to cause some dislocation. Pre-tax profits growth of about 10 per cent, on last time's pre-exceptional line, is likely; the shares, on a prospective p/e of over 14, are quite high enough for the moment.

Palmerston tops £5m after 65% advance

By John Thornhill

HIGH INTEREST rates stalled progress at Phoenix Timber Group, the Essex-based timber products and building care services group, and the company warned that the continuation of high rates spelt uncertainty for the prospects of the building industry.

This warning came yesterday as Phoenix announced that pre-tax profits had slipped marginally from £1.47m to £1.42m in the year to March 31.

Mr Peter Quinn, chairman, said the major cause of the decline was the very high level of interest rates during the second half.

Interest charges rose from £96,000 to £188m. But losses were also incurred at the company's wharf operations and in its Phoenix Window subsidiary.

Phoenix's wharf activities traded at a loss of £112,000 in the second half. Phoenix said in the foreseeable future it could see no prospect of earning a realistic return on its wharf and had therefore decided to close it. The site has been placed on the market and its probable sale this year will be treated as an extraordinary profit.

Three acquisitions were

Phoenix Timber marks time with high interest rates

By John Thornhill

Palmerston Holdings, which came to the market in July 1988, the result of a merger between Bellable Properties and Palmerston Investment Trust, lifted pre-tax profits 65 per cent to £5.1m in the year to March 31.

Total income was £11.59m (£4.73m), while administrative expenses took £1.35m (£27,000) and interest payable £4.9m (£1.43m).

On interest rates, the directors said that with almost 90 per cent of group borrowings being either fixed rate or capped during a more favourable climate, and a total absence of any direct commitment to any major development, the company was to a great extent shielded from the areas which could cause concern in the property market in the years to come.

It accordingly looked to the current year to reinforce its position as a soundly-based property investment group.

Proforma net assets per share rose from £2.35 to £4 last year while net earnings were 19.1p (9.3p) per 25p share, after a tax charge of £1.06m (£1.01m). The dividend is a proposed final 5.75p for an 8.5p total. The shares closed 27p higher at 267p yesterday.

Hanover Druce up 18% to £2.14m

By John Thornhill

HANOVER DRUCE's non-residential activities remained sufficiently buoyant for it to report an 18 per cent increase in pre-tax profits for the year to February 28.

The company, which has interests ranging from estate agency to financial services, made taxable profits of £2.14m (£1.81m) achieved on turnover up 28 per cent to £23.08m (£18.69m).

Dr Isidore Redstone, chairman, said that the results were particularly satisfactory as they underlined the broad strength of the group's diverse interests.

This breadth enabled it to replace the shortfall arising from the sudden sharp downturn in the residential market.

He said that the pattern of business in the second half was continuing, with the commercial, professional and hotels and leisure divisions maintaining profitability.

The residential side remained extremely difficult.

Earnings rose to 17.8p (14.3p) per 10p share and the final dividend is a proposed 3.5p (3p) to make 5p (4.35p) for the year. The group's net asset value stands at 87p (83p) per share.

VPI warning after 21% midway decline

By Nikkî Tait

VPI GROUP, the financial and corporate communications company, yesterday blamed a "severe downturn" in the American mergers and acquisitions market for a 21 per cent fall in pre-tax profits in the six months to end-March.

The profit came to £5,060, compared with £6,420. It was generated from turnover of £36.8m (£36.8m), and operating income of £14.3m (£14.5m).

Headway per share was reduced tax charge of 35 per cent (44 per cent), fell from 8.2p to 7.4p. The dividend goes up by one-tenth to 1.1p. VPI shares fell from 188p to 121p yesterday.

VPI said that its core communications consultancy and investor relations interest performed "soundly" in the first half, but that its US M&A related business - which accounts for about 30 per cent of the business of the Carter Organisation, which VPI acquired via an earnout deal in 1987 - had been "affected by the inherent volatility of this sector."

It pointed out that deals announced in the first quarter of 1989 totalled only \$88.7bn compared with \$172bn in the same period last year.

VPI added that "while prospects for operations continue to be buoyant in the light of conditions currently prevailing in the Carter Organisation's market place, a significant improvement in the group's performance in the second half of this year cannot be anticipated at this stage". It suggested that growth, at the trading profit level but ahead of group overheads, among the UK businesses was around 20 per cent.

COMMENT
Analysts appeared to be fairly well prepared for the first half downturn at VPI, what seems to have upset the market - and led to yesterday's price fall - was the rather grim noises made about the second six months. That had the pundits scaling down forecasts to around £11m-£11.5m for the full year putting the shares on a

prospective multiple of 7.5 to 8 times. At face value, the rating looks fairly low. But the quality of Carter's earnings now appears very questionable and with this subsidiary accounting for over 60 per cent of trading profits, the focus of the company seems uncomfortably narrow. True, VPI's recent acquisition of a small interest in Charles Barker - about one per cent - could be an indica-

tion that the group sees a means of addressing the problem. However, the prevailing feeling amongst analysts seems to be that this is more a question of the Barker situation should the Barker situation develop, rather than a strong initiative of its own.

Short-term, at least, the potential upside does not look encouraging.

James Finlay to £7.3m but holds dividend

A MEASURE of recovery was shown by James Finlay, the investment dealer, in 1988 with profits being more than doubled to £7.3m, from £3.2m. For the fifth successive year the total dividend is held at 4.15p.

There were improvements in all divisions with the exception of trading, manufacturing and merchanting, and investments. Reorganisation and restructuring has been taking place.

Turnover rose from £156.04m to £184.88m and trading and investment income moved up from £3.03m to £8.71m, after £2.51m written off this year.

In 1988 and 1989 the group made £27.7m and £37.9m pre-tax profits, with plantations contributing £17.8m and £25.17m.

The only trading area not to show an improvement was North America, where a loss of £837,000 was incurred (profit £282,000). The UK and Eire returned to the black with £1.47m (loss £1.1m), Australasia contributed £1.32m (£695,000), Africa £3.11m (£1.76m) and Asia £2m (£1.06m).

Earnings worked through at 5.2p (3.1p). The proposed final dividend is 2.15p.

Broadwell advances 70%

BROADWELL LAND, the property developer, which trades in the London area and came to the USM last June, lifted pre-tax profits by 70 per cent from £4.15m to £7.06m in the year to March 31.

A final dividend of 3.6p is recommended for a total of 5p. Earnings per 50p share advanced to 19.08p (14.35p).

The directors said that in a

significant realisation of plans to expand operations beyond London, an important 126-acre site outside York had been acquired for £15m.

Turnover for the year doubled to £33.68m. The pre-tax result was struck after net interest receivable of £96,189 (£15,368 charged). Tax took £2.51m (£1.45m).

Gaynor warns on profits

EXTERNAL FACTORS were blamed for a slight drop in first-half pre-tax profits at Gaynor Group, the USM-quoted plastic bag manufacturer, from £305,000 to £280,000.

In November, the company warned that increased interest rates would restrict consumer credit and dampen high street demand with an impact on the plastic bag business.

In the event, towards the end

of December it became apparent that major customers had been ordering for stock and as the high street recession began to bite, there was a reduction in orders and margins.

Turnover for the six months to February 28 rose to £4.58m (£3.68m), but earnings per 10p share slipped from 3.9p to 3.7p. The interim dividend was held at 1.2p.

INCOME, PROFIT AND DIVIDEND UP AFTER WARMEST WINTER FOR OVER A CENTURY

British Gas Announces 1988/89 Annual Results

British Gas has announced its results for the financial year ended 31 March 1989. The highlights of the results include:

- Current cost profit before tax was up 4.6 per cent to £1,054 million.
- Current cost profit attributable to shareholders was up 9.0 per cent to £620 million.
- Turnover was up by 2.2 per cent to £7,526 million, with a significant increase in income from exploration and production activities.
- The recommended final dividend of 6.25p (net) brings the total dividend for the year to 9.0p, an increase of 12½ per cent on 1987/88.
- Tariff gas sales volume fell slightly, due to an exceptionally mild winter - the warmest for over a century; the underlying trend, at normal temperatures, was an increase of 3.8 per cent in volume.
- Contract gas sales volume fell, due to lower oil prices. Interruptible sales were particularly affected, but there was some underlying growth in firm sales volume.
- British Gas added another 350,000 customers, and some 600,000 additional gas central heating systems were installed.
- British Gas acquired Acre Oil and Tenneco's International Oil and Gas Division.
- Income from installation and contracting rose; appliance trading income was stable.
- Non-gas costs were reduced as a result of increased efficiency and improvements in technology, with employee numbers in Britain lower by 2,900.

In his statement, Chairman Sir Denis Rooke, who is retiring at the end of June, writes:

"We have continued to build on our existing strengths within the energy-related field... British Gas is facing the future with a great degree of confidence... I am delighted that the Board has chosen Robert Evans to succeed me as Chairman, and I know that the Company will continue to prosper under his leadership."



The Annual Report and Accounts 1989 will be distributed to shareholders at the beginning of July.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe or purchase any securities. Attention has been drawn to the Council of The Stock Exchange for permission for dealings in the new "A" Ordinary Shares of 2p each of the Company to take place in the United Kingdom. It is emphasized that no application has been made for these securities to be admitted to listing.

Dealings in the new Ordinary Shares of the Company are expected to commence on 12th June, 1989.

SOUTHWEST RESOURCES plc
(Incorporated in England under the Companies Act 1948 with number 092212)

RIGHTS ISSUE
of 138,122,732 new "A" Ordinary Shares of 2p each at 5p per share payable in full on application and allotment of 69,061,366 new "A" Ordinary Shares of 2p each in connection with the acquisition of GUARDIAN INVESTMENT HOLDINGS LIMITED.

SHARE CAPITAL

Authorised	Existing	Proposed
£20,000,000	£20,837,241	£20,837,241
NIL	£ 5,558,138	£ 4,367,156
£20,000,000	£24,395,379	£25,204,396

REDUCTION OF CAPITAL

Subject to the approval of shareholders and confirmation by the High Court the nominal value of each of the Ordinary Shares of 40p of the Company now in issue will be reduced from 40p to 2p by the cancellation of 20p of the amount paid up on each share and the new "A" Ordinary Shares of 2p each will be re-issued as Ordinary Shares of 2p each and be designated with one with a suffix class with the Ordinary Shares of 2p resulting from the reduction. Following confirmation of the reduction and re-issuance of the shares the capital of the Company will be as follows:-

Authorised	Existing
£4,000,000	£5,409,017

The existing business of the Company and its subsidiaries comprises oil and gas exploration and production overseas. Guardian Investment Holdings Limited is an investment holding company whose principal subsidiary is engaged in property management and related services in Hong Kong.

Particulars relating to the Company are contained in new issue cards circulated by Eurol Financial Limited and in a circular to shareholders dated 17th May, 1989 copies which may be obtained during normal office hours, up to and including 11th June, 1989 from the Company's Secretaries, Messrs. J. & J. Morgan & Co., 15th Floor, 15 Abchurch Lane, London EC4N 3DF (including Saturdays) up to and including 12th June, 1989 from:-

LYTC Securities PLC Timothy Howe 26 Finsbury Circus London EC2M 7AL	Southwest Resources plc Dominion House 49 Parkside Wickhams London SW19 5NB
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COMMODITIES AND AGRICULTURE

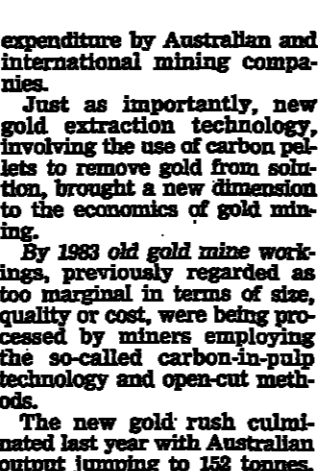
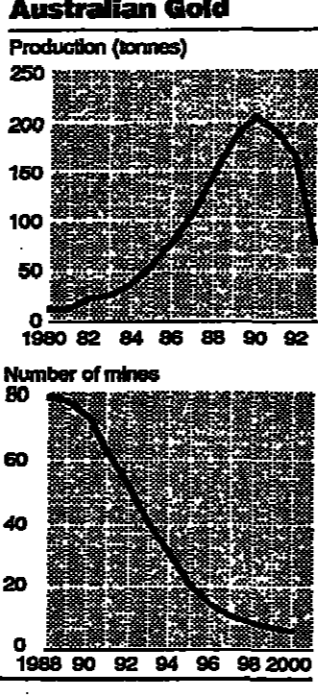
Kuwait plans to curb oil production

By Max Wilkinson, Resources Editor
WORLD OIL prices recovered from some early losses in a day of nervous trading yesterday after Kuwait sought to re-assure markets that it would violate the recent Organisation of Petroleum Exporters agreement in a "responsible" manner.

Harder times ahead for Australia's gold diggers

After ten years of spectacular growth the party may soon be over, Kenneth Gooding explains why

AFTER CELEBRATING ten years of spectacular growth in output, the Australian gold mining industry now faces the prospect that the boom might fizzle out just as quickly, leaving in its wake dozens of deserted mines, hundreds of failed companies and a string of takeovers as smaller gold miners are gobbled up by larger operations.



Mr Dick Dodson of Australia's Bureau of Federal Resources, estimates that gold production will rise again this year to 222 tonnes and then peak at about 220 tonnes in 1991.

of the loss of speculative interest in gold mining shares, the impact of production from recent discoveries and the low gold price.

phide ores have become exposed. This not only pushes up working costs - some mines are experiencing cost increases of up to 20 per cent because they must use more drill and blast techniques in the harder ore - but sulphide ores need a great deal of additional processing to liberate the gold.

COFFEE talks make little progress
By David Blackwell
TALKS ON the future of the International Coffee Agreement made little progress yesterday, following a procedural protest by the US delegation on Wednesday night.

Brazil in fresh move on sugar export policy

By John Barham in Sao Paulo
BRAZIL THIS week changed its sugar export policy for the second time in 10 days. Congress has now approved a government proposal allowing only the private sector to export sugar, ending the 35-year export monopoly enjoyed by the Government's Sugar Alcohol Institute (IAA).

Bougainville mine attacked

REBELS HAVE destroyed a water pumping station at the Bougainville copper mine in Papua New Guinea, less than 24 hours after the PNG Government ordered a military offensive against them, reports Reuters from Port Moresby.

India plans oilseeds boost

By K.K. Sharma in New Delhi
INDIA'S MINISTRY of Agriculture has drawn up plans to increase production of oilseeds in 1989-91 to a record 18m tonnes as part of the Government's efforts to conserve foreign exchange by reducing imports.

Coffee talks make little progress

By David Blackwell
TALKS ON the future of the International Coffee Agreement made little progress yesterday, following a procedural protest by the US delegation on Wednesday night.

Cocoa soars on talk of Ivory Coast deal

By David Blackwell
COCOA PRICES soared in London yesterday morning on market talk that Phillip Brothers, the big US trade house, had bought 250,000 tonnes of cocoa from the Ivory Coast, the world's biggest producer.

Antimony price rises on worries about supplies

THE PRICE of antimony metal, used with lead in batteries and as a flame retardant in plastics, has jumped by \$200 a tonne on the free market this week to a range of \$2,050 to \$2,150 because of nervousness about supplies from China, traders said.

WORLD COMMODITIES PRICES

LONDON MARKETS

Table of London Market prices for various commodities including Gold, Silver, Copper, and Oil. Columns include Commodity, Price, and Change.

GOODS Exchange

Table of Goods Exchange prices for various commodities including Wheat, Sugar, and Coffee. Columns include Commodity, Price, and Change.

LONDON METAL EXCHANGE

Table of London Metal Exchange prices for various metals including Aluminium, Copper, and Lead. Columns include Commodity, Price, and Change.

POTATOES Exchange

Table of Potato Exchange prices for various potato grades. Columns include Commodity, Price, and Change.

SOYABEANS Exchange

Table of Soyabean Exchange prices for various soyabean grades. Columns include Commodity, Price, and Change.

WHEAT Exchange

Table of Wheat Exchange prices for various wheat grades. Columns include Commodity, Price, and Change.

NEW YORK

Table of New York market prices for various commodities including Gold, Silver, and Oil. Columns include Commodity, Price, and Change.

£ a tonne unless otherwise stated. p-pence/100. c-cents. r-rings/hg. v-val. u-units. x-Jul. a-Aug. u-May/Jun. f-Fest Commission. average latest prices. * Change from a week ago. London physical market. * CIP Rotterdam. * Bullion market close. n-Malaysian cent/kg.

LONDON STOCK EXCHANGE

Overseas buyers pursue UK equities

AMERICAN AND Japanese buyers caught London equity market makers on the wrong foot yesterday, inspiring a substantial if somewhat selective upswing in share prices.

Turnover jumped sharply with a volume of 782.3m, the highest daily figure recorded since the market moved above FT-SE 2,000 in mid-May.

However, yesterday's total was boosted by substantial turnover in a handful of special stocks, including Gateway (180m shares), as the Iccoles bid approached consummation.

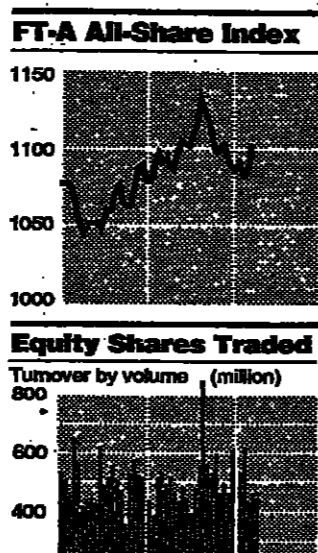
Transatlantic interest in London stocks, sparked off by the bid moves in the US cellular telephone industry, was featured by heavy business in BAT Industries in New York overnight, as US analysts vied to value BAT as a break-up target.

As the dust settled, analysts commented that worries over domestic interest rates have lifted somewhat as Mr Lawson, the UK Chancellor, reaffirmed the Government's anti-inflation stance.

Gateway battle hots up

Trading in food retailer Gateway exploded just after 3 o'clock. More than 1m shares a second were traded during a hectic half minute and dealing continued at breakneck pace until the close by which time

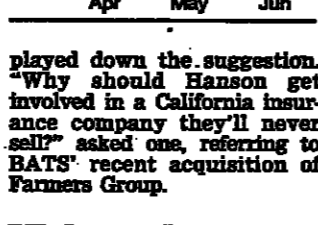
moved to up its stake as a prelude to a full bid, it already holds a 14.9 per cent stake in Midland but has agreed not to increase this until 1990.



FT-A All-Share Index

Mr John Woolman, analyst at Citicorp Scrimgeour Vickers, estimated that Iccoles now has more than 30 per cent of Gateway.

BAT speculation Renewed, and increasingly powerful US demand for BAT Industries saw the shares racing ahead to bring the gain over the past fortnight to 21 at yesterday's best level.



Equity Shares Traded

a fundamental revaluation of "prospects," he said. Mr Stephen Turner at Smith New Court moved to film-plus and said the company was looking at "very good earnings momentum."

Amstrad dip late Amstrad, the electronics group, came in for a welter of selling late in the session. The shares ended 9% down at a year's low of 53 1/2p on turnover of 7.1m.

Mr Messham is sticking with his current year forecast of pre-tax profits of £100m but has drastically cut his forecast for next year from £85m to £75m.

of the share's recent underperformance returns after Whitbread "A", which settled 11 up at 360p. Turnover of 2.7m shares was the best for some time.

A 19.1 per cent improvement in full year profits from Boots boosted the shares 9 to 296p. Turnover was a busy 7.9m shares.

Because they have already made a bid there is nothing to stop Iccoles continuing to buy in the market - provided they buy at below the 210p cash value of their offer, said Mr Woolman.

The Americans are excited because US cigarette prices are rising in the US and the Health Bill of Warburg Securities.

played down the suggestion. "Why should Hanson get involved in a California insurance company they'll never sell?" asked one, referring to BATS' recent acquisition of Farmers Group.

Wellcome was hit by a news agency report that a small Japanese pharmaceutical company, Teijin, had developed a human monoclonal antibody suggesting that this might eventually lead to a cure for AIDS.

Europe brushed aside potential US buyers and invested heavily yesterday in shares of Jaguar, the luxury UK car manufacturer.

Hanson sells stake A sedate early performance from Midland Bank shares gave way to a sudden mid-session burst of activity which saw large numbers of Midland stock - in parcels of 5m shares - moving through the

There were further suggestions in the market that Hanson might bid for BATS - break-up values of between £9 and £12.50 a share have been mentioned. But most dealers

High speed gas British Gas shares extended their recent good performance after much better than expected preliminary figures and a very bullish post-results meeting with energy sector analysts.

Insurances showed Britannia outstanding and finally 31 higher at 428p after a bullish note from Mr John Marr, insurance analyst at Charterhouse

achieved double-figure gains before easing from the best. MIFC ended 10 up at 881p, Land Securities finished 9 higher at 579p and Hammarson "A" 11 dearer at 796p.

NEW HIGHS AND LOWS FOR 1989

- NEW HIGHS (2P): AMERICAN (2P) CANADIAN (2P) BANCOS (2P) BULLDOGS (2P) LARGO COMPANIES (2P) ...

- (N) Sun Chemicals, SOUTH AFRICAN (1) Barrow Refinery, TOBACCO (2) BAT Ind. (1) ...

APPOINTMENTS

Westbury board posts

Mr Tim Hearley, executive chairman of CH Industrials, and Mr David Reid, finance director of Tesco, have been appointed non-executive directors of WESTBURY.

Merchant Bank, has been appointed a non-executive director of HUGH BIRNAN PUBLISHING CO, Bromsgrove.

Mr Udo Schlenkerich (above) has been appointed chief executive of STARKS HOTELS, East Anglia, in succession to Mr Donald Macdonald.

companies. He succeeds Mr Charles Wilkinson who remains non-executive director of both companies.

Ihre Erfolgsformel für 1992 heißt „EDI“

Die magische Jahreszahl 1992 wirkt heute schon runderum: Sie hat natürlich auch die seit langem wachstumsstarke Branche Chemie und Pharmazie ergriffen, für die - was bisher national galt - international, sprich europäischer Datenaustausch besonders wichtig wird.

Advertisement for GE Information Services featuring a cartoon illustration of a man in a suit and a woman in a dress, with the GE logo and contact information for GE Information Services.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Table listing various unit trusts under the 'AUTHORISED UNIT TRUSTS' section, including names like Abbey Unit Trust, Abbey Fund Managers, and Abbey Life Unit Trusts.

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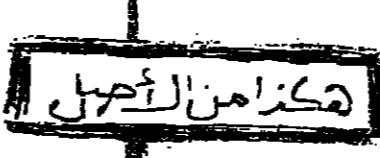
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GUIDE TO UNIT TRUST PRICING. This section provides detailed information on how unit trust prices are calculated, including the effect of charges, the effect of dividends, and the effect of interest.



FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2128

Main table containing unit trust information with columns for Name, Price, and Yield. Includes sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cyteline. To obtain your free Unit Trust Code Booklet ring the FT Cyteline help desk on 01-325-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (SB RECOGNISED)', 'LUXEMBOURG (SB RECOGNISED)', 'JERSEY (SB RECOGNISED)', and 'SWITZERLAND (SB RECOGNISED)'.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts such as Envest International, Envest Growth, Envest International (SI) Ltd, and others, with columns for Name, Type, and Price.

LONDON SHARE SERVICE

Table of London Share Service, divided into sections: BRITISH FUNDS, COMMONWEALTH & AFRICAN LOANS, AMERICANS, INT. BANK AND O'SEAS, and MONEY MARKET BANK ACCOUNTS. Includes various fund names and their performance metrics.

ISLE OF MAN (**)

Table listing Isle of Man unit trusts, including Envest International (SI) Ltd, Envest Growth, and others.

LUXEMBOURG (**)

Table listing Luxembourg unit trusts, including Envest International (SI) Ltd, Envest Growth, and others.

OTHER OFFSHORE FUNDS

Table listing other offshore funds, including Envest International (SI) Ltd, Envest Growth, and others.

OFFSHORE INSURANCES

Table listing offshore insurance products, including Envest International (SI) Ltd, Envest Growth, and others.

Money Market Bank Accounts

Table listing Money Market Bank Accounts, including various bank names and their interest rates.

UNIT TRUST NOTES

UNIT TRUST NOTES: Prices are shown within alternative indicators and the actual price after deduction of 0.5% Cash. Cash values are based on the latest available information.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-425-2128

AMERICANS - Contd

Table listing American companies with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like American Express, American International Group, and American Overseas Corp.

BUILDING, TIMBER, ROADS

Table listing companies in the Building, Timber, and Roads sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Bovis Lend Lease and Bovis Lend Lease Group.

DRAPERY AND STORES - Contd

Table listing companies in the Drapery and Stores sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Debenhams and Debenhams Group.

ENGINEERING

Table listing companies in the Engineering sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Balfour Beatty and Balfour Beatty Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

CANADIANS

Table listing Canadian companies with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Alcan and Alcan Group.

BANKS, HP & LEASING

Table listing companies in the Banks, HP & Leasing sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Bank of Montreal and Bank of Montreal Group.

ELECTRICALS

Table listing companies in the Electricals sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Telecom and British Telecom Group.

FOOD, GROCERIES, ETC

Table listing companies in the Food, Groceries, Etc sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Asda and Asda Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

BANKS, HP & LEASING

Table listing companies in the Banks, HP & Leasing sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Bank of Montreal and Bank of Montreal Group.

CHEMICALS, PLASTICS

Table listing companies in the Chemicals, Plastics sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Petroleum and British Petroleum Group.

DRAPERY AND STORES

Table listing companies in the Drapery and Stores sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Debenhams and Debenhams Group.

HOTELS AND CATERERS

Table listing companies in the Hotels and Caterers sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

BEERS, WINES & SPIRITS

Table listing companies in the Beers, Wines & Spirits sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

BUILDING, TIMBER, ROADS

Table listing companies in the Building, Timber, Roads sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Bovis Lend Lease and Bovis Lend Lease Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

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Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

INDUSTRIALS (Misc.) - Contd

Table listing companies in the Industrials (Misc.) sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

INSURANCES

Table listing companies in the Insurances sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like British Airways and British Airways Group.

BANKS, HP & LEASING

Table listing companies in the Banks, HP & Leasing sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Bank of Montreal and Bank of Montreal Group.

BUILDING, TIMBER, ROADS

Table listing companies in the Building, Timber, Roads sector with columns for Stock, Price, Bid, Offer, and % Change. Includes companies like Bovis Lend Lease and Bovis Lend Lease Group.

INDUSTRIALS (Misc.) - Contd

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LONDON SHARE SERVICE

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INSURANCES - Contd

Table of insurance companies including Aviva, British American, and others, with columns for stock price, bid, offer, and volume.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies including British Aerospace and others.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies including News International and others.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising companies including Newsprint and others.

SHIPPING

Table of shipping companies including British Overseas Airways and others.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of paper, printing, and advertising companies.

PROPERTY

Table of property companies including British Land and others.

COMMERCIAL VEHICLES

Table of commercial vehicle companies including British Leyland and others.

SHOES AND LEATHER

Table of shoes and leather companies including British Shoe and others.

SOUTH AFRICANS

Table of South African companies including Anglo American and others.

SHIPPING

Table of shipping companies including British Overseas Airways and others.

TEXTILES

Table of textile companies including British Textiles and others.

TOBACCOS

Table of tobacco companies including British American Tobacco and others.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies including British Trust and others.

SHIPPING

Table of shipping companies including British Overseas Airways and others.

SHIPPING

Table of shipping companies including British Overseas Airways and others.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

FINANCE, LAND, etc

Table of finance, land, and other companies including British Finance and others.

OIL AND GAS

Table of oil and gas companies including British Petroleum and others.

OIL AND GAS

Table of oil and gas companies including British Petroleum and others.

OIL AND GAS - Contd

Continuation of oil and gas companies.

OVERSEAS TRADERS

Table of overseas traders including British Overseas and others.

PLANTATIONS

Table of plantation companies including British Plantations and others.

MINES

Table of mining companies including British Mining and others.

MINES

Table of mining companies including British Mining and others.

MINES - Contd

Continuation of mining companies.

THIRD MARKET

Table of third market companies including British Third Market and others.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including British Regional and others.

TRADITIONAL OPTIONS

Table of traditional options including British Options and others.

PROPERTY

Table of property companies including British Property and others.

Stock Exchange dealing classifications are indicated to the right of security names; Alpha, Beta, Gamma.

Unless otherwise indicated, prices and bid/offer prices are in pence and denominated in £. Estimated price/earnings ratios and other ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/E ratios are calculated on a price/earnings basis, assuming a 10% discount on the value of the company's shares.

Dividends are shown in pence and are based on the latest annual report and accounts. Dividends are shown as a percentage of the share price. Dividends are shown as a percentage of the share price.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark loses ground

THE WEST German D-Mark was mostly weaker in currency markets yesterday. On a day when the dollar and sterling were both confined to a very narrow range, attention turned to the D-Mark and its performance against the yen and French franc.

The D-Mark was marked down after a defensive rise in French interest rates, falling to FF3.3931 in London from FF3.3970 on Wednesday. It was fixed in Paris at FF3.3945, but most traders do not expect the rate to fall much below FF3.3930. The German unit's softer tone also reflected a small decline in interest rates in Frankfurt.

The yen managed to recover some of the ground lost on Wednesday as the D-Mark failed to capitalise on its break through resistance at Y72.50. From Wednesday's close of Y72.67, the D-Mark slipped back to Y72.49.

The dollar finished towards its best level of the day on last-minute short covering ahead of the release tomorrow of US May producer prices. The market will be looking to see if a lower than expected increase (estimates centre on a 0.5 per cent rise) will tempt the US Federal Reserve to continue its slow but steady relaxation of monetary policy. Some analysts believe that the Fed will

require additional evidence that the rate of inflation is slowing before cutting rates.

Trading yesterday was confined to a narrow range, restricted on the down side by the dollar's status as a safe haven while the unrest continues in China. Its upward potential appears to be equally limited, partly because of the recent reduction in US interest rates and also because investors need fresh impetus to push the dollar higher. But most analysts agree that the US unit's strong undertone remains intact.

The dollar closed at DM1.9775 from DM1.9615 and Y143.35 compared with Y142.45. Elsewhere, it finished at SF2.7125 from SF2.6975 and FF3.7100 against FF3.6885. On the Pound, the exchange rate rose from 71.8 to 72.1. Sterling was underpinned by supportive comments made

yesterday by Mr Nigel Lawson, the Chancellor. His exchange rate index opened and closed at 82.3, unchanged from Wednesday's close. Investors are reluctant to run too short on sterling ahead of the weekend, but the upside is limited ahead of next week's release of economic data, including average earnings and retail prices.

The pound fell to \$1.5730 from \$1.5820 but was higher against the D-Mark at DM3.1100 from DM3.1025. Against the yen it was unchanged at Y225.50. Elsewhere, it finished at SF2.6850 from SF2.6850 and FF3.6550 compared with FF3.6500.

CORRECTION: In the FT Guide to World Currencies table in Tuesday's Financial Times, the exchange rates for the CFA franc should have been 527.00 (sterling), 333.22 (US dollar), 169.86 (D-Mark) and 234.74 (yen).

FINANCIAL FUTURES

Short sterling falls back

SHORT STERLING contracts failed to hold on to early gains in Liffe trading yesterday and finished down from Wednesday's close. The September price opened at 86.08, up from 86.07, and touched a high of 86.14 before retreating to 86.05 at the close. Early sentiment was helped by a softer feel in the cash market as sterling remained steady. However, after earlier best positions had been closed, there was little

else to justify the rise. Most traders were agreed that the chance of an early cut in base rates is small, and on this basis the futures price is still expensive.

Long gilt futures were pushed firmer in quite brisk trading, with over 20,000 lots exchanged in the September contract. The latter opened at 98.14 and moved up to a best level of 98.27 before closing at 98.22 compared with 98.05 on

Wednesday. US Treasury bonds also finished on a firmer note although values eased back in later US trading when the State Department failed to confirm rumours that US citizens have been killed in China.

West German Government bonds opened on a firmer note but lost ground to finish at 93.97, down from 94.08 previously.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Country, Unit, % change from previous date, and % change from previous date. Includes entries for Belgium, France, Germany, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing spot and forward rates for the Pound against various currencies (US, Yen, etc.) with columns for Date, Rate, and % change.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing spot and forward rates for the Dollar against various currencies (Yen, etc.) with columns for Date, Rate, and % change.

EURO-CURRENCY INTEREST RATES

Table showing interest rates for various Euro-currency deposits (3 months, 6 months, 1 year) across different banks.

EXCHANGE CROSS RATES

Table showing cross rates between various currencies (e.g., Yen to Dollar, Yen to Pound).

C IN NEW YORK

Table showing C in New York rates for various currencies (Sterling, etc.) with columns for Date, Rate, and % change.

STERLING INDEX

Table showing the Sterling Index for various dates and currencies.

CURRENCY RATES

Table showing currency rates for various countries (Australia, Canada, etc.) with columns for Date, Rate, and % change.

CURRENCY MOVEMENTS

Table showing currency movements for various countries (Australia, Canada, etc.) with columns for Date, Rate, and % change.

MONEY MARKETS

Period rates ease

LONGER TERM rates were a little lower in London yesterday, helped by sterling's steeper trend. One-year bank money slipped to 14.13% per cent from 14.13% per cent, while the three-month rate was unchanged at 14.13% per cent.

The softer tone was not always expected. Some traders suggested that yesterday's comments by Mr Nigel Lawson, the Chancellor (that rates would be held at whatever

ing the morning or afternoon. Interest rates were marked up in Paris after the Bank of France drained liquidity from the money market. The move is seen as an attempt to support the French franc. The latter has weakened in recent weeks as interest rates elsewhere, notably in West Germany, have been rising slowly.

Call money rose to 9% per cent from 8% per cent, moving above the 9% per cent level at which the central bank operates its 8-10 day repurchase facility. The move above 9 suggests that the market retains a degree of uncertainty after the Bank's move to support the franc.

In Frankfurt, call money fell slightly to around 6.4 per cent from 6.45 per cent. Wednesday's net injection of DM2.6bn through a sale and repurchase tender now appears to be enough to meet liquidity requirements. This was reflected in banks' minimum reserve holdings with the Bundesbank which rose to DM58.7bn on Tuesday from DM57.2bn on Monday. Longer term rates were also slightly lower as traders now see less chance of an early rise in the Lombard or discount rate. Sentiment was influenced by comments made yesterday by Mr Karl Otto-Pohl, president of the Bundesbank, when he stressed that the Bundesbank should not over-react to events in currency markets.

UK sterling bank lending rates

Table showing UK sterling bank lending rates for various terms (14 per cent, term May 24).

level was necessary to control inflation

level was necessary to control inflation) was more likely to result in a further rise in rates. By his own admission, UK inflation has yet to peak.

The Bank of England forecast a flat liquidity position. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance drawing £178m. There was also a rise in the note circulation of £70m, and banks brought forward balances £80m below target. These were partly offset by Exchequer transactions which added £290m. There was no intervention by the Bank dur-

LIFFE LIRES FUTURES OPENING

Table showing Liffe Lires futures opening prices for various contracts.

LIFFE TREASURY BOND FUTURES OPENING

Table showing Liffe Treasury Bond futures opening prices for various contracts.

LIFFE DOLLAR FUTURES OPENING

Table showing Liffe Dollar futures opening prices for various contracts.

LIFFE EUROSHARES OPENING

Table showing Liffe Euroshares opening prices for various contracts.

LIFFE SHORT STERLING

Table showing Liffe Short Sterling prices for various contracts.

LIFFE 5-YEAR % NATIONAL GILT

Table showing Liffe 5-year % National Gilt prices for various contracts.

LIFFE 10-YEAR % NATIONAL GILT

Table showing Liffe 10-year % National Gilt prices for various contracts.

LIFFE 15-YEAR % NATIONAL GILT

Table showing Liffe 15-year % National Gilt prices for various contracts.

LIFFE 20-YEAR % NATIONAL GILT

Table showing Liffe 20-year % National Gilt prices for various contracts.

LIFFE 25-YEAR % NATIONAL GILT

Table showing Liffe 25-year % National Gilt prices for various contracts.

LIFFE 30-YEAR % NATIONAL GILT

Table showing Liffe 30-year % National Gilt prices for various contracts.

LIFFE 35-YEAR % NATIONAL GILT

Table showing Liffe 35-year % National Gilt prices for various contracts.

LIFFE 40-YEAR % NATIONAL GILT

Table showing Liffe 40-year % National Gilt prices for various contracts.

LIFFE 45-YEAR % NATIONAL GILT

Table showing Liffe 45-year % National Gilt prices for various contracts.

LIFFE 50-YEAR % NATIONAL GILT

Table showing Liffe 50-year % National Gilt prices for various contracts.

LIFFE 55-YEAR % NATIONAL GILT

Table showing Liffe 55-year % National Gilt prices for various contracts.

LIFFE 60-YEAR % NATIONAL GILT

Table showing Liffe 60-year % National Gilt prices for various contracts.

LIFFE 65-YEAR % NATIONAL GILT

Table showing Liffe 65-year % National Gilt prices for various contracts.

LIFFE 70-YEAR % NATIONAL GILT

Table showing Liffe 70-year % National Gilt prices for various contracts.

LIFFE 75-YEAR % NATIONAL GILT

Table showing Liffe 75-year % National Gilt prices for various contracts.

LIFFE 80-YEAR % NATIONAL GILT

Table showing Liffe 80-year % National Gilt prices for various contracts.

LIFFE 85-YEAR % NATIONAL GILT

Table showing Liffe 85-year % National Gilt prices for various contracts.

LIFFE 90-YEAR % NATIONAL GILT

Table showing Liffe 90-year % National Gilt prices for various contracts.

LIFFE 95-YEAR % NATIONAL GILT

Table showing Liffe 95-year % National Gilt prices for various contracts.

LIFFE 100-YEAR % NATIONAL GILT

Table showing Liffe 100-year % National Gilt prices for various contracts.

LIFFE 105-YEAR % NATIONAL GILT

Table showing Liffe 105-year % National Gilt prices for various contracts.

LIFFE 110-YEAR % NATIONAL GILT

Table showing Liffe 110-year % National Gilt prices for various contracts.

LIFFE 115-YEAR % NATIONAL GILT

Table showing Liffe 115-year % National Gilt prices for various contracts.

LIFFE 120-YEAR % NATIONAL GILT

Table showing Liffe 120-year % National Gilt prices for various contracts.

LIFFE 125-YEAR % NATIONAL GILT

Table showing Liffe 125-year % National Gilt prices for various contracts.

LIFFE 130-YEAR % NATIONAL GILT

Table showing Liffe 130-year % National Gilt prices for various contracts.

LIFFE 135-YEAR % NATIONAL GILT

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LIFFE 140-YEAR % NATIONAL GILT

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LIFFE 145-YEAR % NATIONAL GILT

Table showing Liffe 145-year % National Gilt prices for various contracts.

LIFFE 150-YEAR % NATIONAL GILT

Table showing Liffe 150-year % National Gilt prices for various contracts.

LIFFE 155-YEAR % NATIONAL GILT

Table showing Liffe 155-year % National Gilt prices for various contracts.

LIFFE 160-YEAR % NATIONAL GILT

Table showing Liffe 160-year % National Gilt prices for various contracts.

LIFFE 165-YEAR % NATIONAL GILT

Table showing Liffe 165-year % National Gilt prices for various contracts.

LIFFE 170-YEAR % NATIONAL GILT

Table showing Liffe 170-year % National Gilt prices for various contracts.

LIFFE 175-YEAR % NATIONAL GILT

Table showing Liffe 175-year % National Gilt prices for various contracts.

LIFFE 180-YEAR % NATIONAL GILT

Table showing Liffe 180-year % National Gilt prices for various contracts.

LIFFE 185-YEAR % NATIONAL GILT

Table showing Liffe 185-year % National Gilt prices for various contracts.

LIFFE 190-YEAR % NATIONAL GILT

Table showing Liffe 190-year % National Gilt prices for various contracts.

LIFFE 195-YEAR % NATIONAL GILT

Table showing Liffe 195-year % National Gilt prices for various contracts.

LIFFE 200-YEAR % NATIONAL GILT

Table showing Liffe 200-year % National Gilt prices for various contracts.

COMPANY NOTICES

TRANS-NATAL COAL CORPORATION LIMITED (Incorporated in the Republic of South Africa) Notice is hereby given that accounts for the period ending 30 June 1989 will be payable to holders of the above-mentioned debentures registered in the books of the company at the close of business on 30 June 1989.

LEGAL NOTICES No. 002531 of 1989 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF CADBURY SCHWEPPE PUBLIC LIMITED COMPANY - and - IN THE MATTER OF THE COMPANIES ACT 1985

LEGAL NOTICES No. 002778 of 1989 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF BIMEC INDUSTRIES PLC AND IN THE MATTER OF THE COMPANIES ACT 1985

LEGAL NOTICES No. 002779 of 1989 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF BIMEC INDUSTRIES PLC AND IN THE MATTER OF THE COMPANIES ACT 1985

EUROPEAN OPTIONS EXCHANGE

Table showing European Options Exchange data for various contracts and currencies.

BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

FT LONDON INTERBANK FIXING

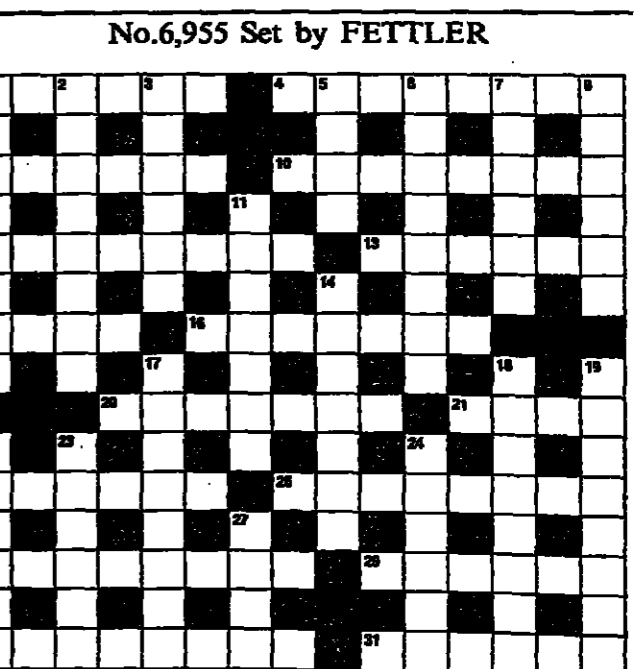
Table showing FT London Interbank Fixing rates for various currencies.

MONEY RATES

Table showing money rates for various currencies and terms.

JOTTER PAD

CROSSWORD No.6,955 Set by FETTLER



ACROSS 1 Happen to strike (6) 2 Gets me in range encounter (7) 3 Thrill that remortgaging home gives (6) 4 Many twinged that's distinguished (6) 5 Cocks round in Rollis (3) 6 Plans tree - a plant that's hybrid (6) 7 10 Many twinged that's distinguished (6) 8 11 Fragment more suitable? That's about right! (7) 9 Cover left in conglomerate (7) 10 What product is hard to grow well (8) 11 A pit in the act of being closed? (8) 12 Stir oatmeal dish (8) 13 Upset, being far from the finish (8) 14 A tape's effect (8) 15 Uplifting medieval verse is out of fashion (8) 16 Glacial snow is still drifting up (4)

DOWN 1 Providing for a dainty combination (9) 2 Low bar is a disreputable low to resort to (8-5) 3 Cuffs mustn't be cast too soon (8) 4 Arne composed to get an income (4) 5 Without a watch it's everlasting (8) 6 Riparian Sudanese? Here's one set in the north-east (8) 7 Parisian ship can be a spur (8) 8 11 Fragment more suitable? That's about right! (7) 9 Cover left in conglomerate (7) 10 What product is hard to grow well (8) 11 A pit in the act of being closed? (8) 12 Stir oatmeal dish (8) 13 Upset, being far from the finish (8) 14 A tape's effect (8) 15 Uplifting medieval verse is out of fashion (8) 16 Glacial snow is still drifting up (4)

WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, France, Germany, Italy, Sweden, and Japan. Columns include stock names, prices, and changes.

Table of stock market data for Canada, including Toronto and Montreal sections with stock names and prices.

Table of stock market data for Japan, listing various companies and their stock prices.

Table of stock market indices for New York, Dow Jones, and various international indices.

Table of stock market data for Australia, listing various companies and their stock prices.

Table of stock market data for New York Active Stocks, listing various companies and their stock prices.

Table of stock market data for Tokyo - Most Active Stocks, listing various companies and their stock prices.

Advertisement for 'Room 609' featuring a key graphic and text: 'A word of advice (and comfort) for business travellers staying at North America's leading hotels... ALWAYS ASK FOR YOUR COPY OF THE FINANCIAL TIMES!'

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

Section containing financial news, market analysis, and commentary related to the NYSE market.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 8

Large table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Advertisement for F.T. hand delivered, featuring the Copenhagen logo and contact information for K. Mikael Heimö.

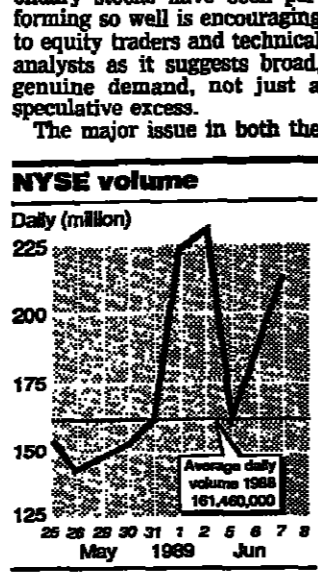
AMERICA

Takeover speculation spurs Dow

Wall Street

CONTINUED BUYING of issues rumoured to be takeover candidates offset weakness in oil company stocks and helped boost the Dow Jones Industrial Average to a modest gain as profit-taking took the index off its morning high...

NYSE volume



equity and bond markets is how much more investors will start moving their funds out of cash and into securities. For a very long time, institutional investors have kept a large proportion in cash but some of this money is now beginning to move into stocks and bonds.

cash. It is very difficult to explain to an investor in a mutual fund that you missed out on a substantial rally by staying in a defensive, high cash position. Takeover targets and rumoured bid candidates dominated the most active list on the New York Stock Exchange...

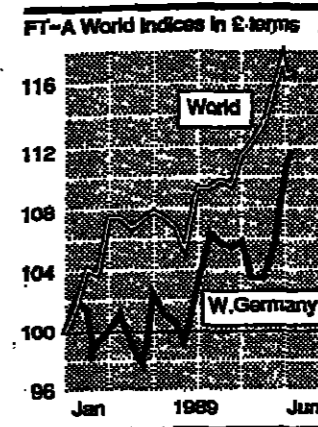
Canada SHARE PRICES extended gains of the past few days and closed higher in heavy trade. The Toronto 300 composite index gained 30.50 points to close at 3,806.03...

Shift of attitude buoys Frankfurt

Alison Maitland on why the market has surged to post-crash peaks

A STRIKING shift of attitude towards the dollar's strength and a bout of malaise in the UK have sent West German equities surging to their highest levels since the 1987 crash. More than two weeks of solid gains, interspersed with profit-taking, have lifted the FAZ index by 6 per cent to breach the 600 level yesterday...

Disseidort, pinpoints an analysts' meeting at Volkswagen, the motor group, on May 23 as the trigger for the swing in sentiment. 'People suddenly started to realise that a strong dollar can be very positive for the German market,' he says.



higher interest rates offset these fundamentals throughout the spring, but the tables have now turned. Mr Mark Hawtin of BNP Securities in London is none the less sceptical about the duration of the rally...

increases next year and a (long-awaited) peak in the European car market are clouds on the horizon. A fair proportion of recent heavy turnover has also been directly related to the current dividend-paying season in the chemical sector.

ASIA PACIFIC

Nikkei slips back after early market enthusiasm

Tokyo

BUYING enthusiasm flizzed out and volume remained depressed after a bargain-hunting spree had lifted share prices earlier as the market tried to shrug its reaction to the announcement by Toshiba...

incentives and to jump on any promising new stories. One significant topic was environmental protection, which has attracted renewed interest lately. The announcement by Mitsubishi Electric and Taiyo Sanso of a new device free of mercury...

manne was another example of the trend. The Nikkei 225 finished the day at 11,038.75, but finishing down 113 at 11,027.40. It was third in volume terms with 21.6m shares.

EUROPE

Roaring trade carries bourses to new highs

THE PACE in Europe was exciting, with many bourses hitting new peaks for the year, writes Our Markets Staff. PARIS recovered from small early losses, in a session again characterised by the original pleasure of some shareholders at the change of management...

DM11.70 rise to DM45.50 after saying its Wolfsburg production plant would stay open during the normal August vacation because of strong demand. Nixdorf lost DM6.30 to DM31.70 on news it will omit a dividend in 1989.

MILAN had another buoyant day, rising to year highs for a second day. Fiat was strong, adding L160 to L3,770 after confirming its expectations of higher turnover this year.

AMSTERDAM reached a new high in fairly active trading with FI 821m. The CBS tendency index gained 1.4 to 185.5, while the all-share index hit a record of 182.9, up 0.9, as sentiment was helped by the lower dollar and oil prices.

OSLO fell as the price for Norway's North Sea oil dropped following the Opec meeting in Vienna. The all-share index fell 6.63 to 476.78. COPENHAGEN was boosted by high liquidity, shortage of scrip and a firm bond market.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood-Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Thursday June 8 1989, Wednesday June 7 1989, and Dollar Index. Rows list various countries and their stock indices with daily changes and year-to-date performance.

Investors Chronicle advertisement. Includes headline 'What's coming next?', 'A new boom to sweep you off your feet?', and 'Investors Chronicle is first with the money news that matters. We give you the facts, without distortion and without wild rumours or 'hype'.